

## SENATE—Wednesday, March 25, 1981

(Legislative day of Monday, February 16, 1981)

The Senate met at 9:30 a.m., on the expiration of the recess, and was called to order by the Honorable FRANK H. MURKOWSKI, a Senator from the State of Alaska.

## PRAYER

The Chaplain, the Reverend Richard C. Halverson, LL.D., offered the following prayer:

*Bless the Lord, O my soul; and all that is within me, bless His holy name! Bless the Lord, O my soul, and forget not all His benefits, who forgives all your iniquity, who heals all your diseases, who redeems your life from the pit, who crowns you with steadfast love and mercy, who satisfies you with good as long as you live. Psalms 103: 1-5 (R.S.V.)*

Gracious, loving God, forgive the indifference with which we receive life's common blessings Thou dost lavish upon us daily. We enjoy love of family while many families are broken by persecution and oppression. We have more than we need to eat while millions never have enough and thousands starve to death each day. We live in warm, comfortable homes while millions languish in refugee camps.

Father in heaven, receive our inexpressible gratitude and fill us with compassion for the poor, the oppressed, the homeless, and the hungry.

We ask this in the name of Him whose love and care includes all. Amen.

## APPOINTMENT OF ACTING PRESIDENT PRO TEMPORE

The PRESIDING OFFICER. The clerk will please read a communication to the Senate from the President pro tempore (Mr. THURMOND).

The legislative clerk read the following letter:

U.S. SENATE,  
PRESIDENT PRO TEMPORE,  
Washington, D.C., March 25, 1981.

To the Senate:

Under the provisions of rule I, section 3, of the Standing Rules of the Senate, I hereby appoint the Honorable FRANK H. MURKOWSKI, a Senator from the State of Alaska, to perform the duties of the Chair.

STROM THURMOND,  
President pro tempore.

Mr. MURKOWSKI thereupon assumed the chair as Acting President pro tempore.

## RECOGNITION OF THE MAJORITY LEADER

The ACTING PRESIDENT pro tempore. Under the previous order, the majority leader is recognized.

Mr. BAKER. I thank the Chair.

## THE JOURNAL

Mr. BAKER. Mr. President, I ask unanimous consent that the Journal of the proceedings of the Senate be approved to date.

The ACTING PRESIDENT pro tempore. Without objection, it is so ordered.

## ORDER OF PROCEDURE

Mr. BAKER. Mr. President, in a few moments, we will begin a sequence of special orders in favor of 26 Senators. Before we do that, I have two matters I should like to address.

First, I ask unanimous consent that the order for the special orders be modified so that the distinguished Senator from Missouri (Mr. EAGLETON) may receive the first special order.

The ACTING PRESIDENT pro tempore. Without objection, it is so ordered.

Mr. BAKER. Mr. President, if the Senator from Missouri will withhold for just a moment and if the distinguished minority leader will permit me, I will shortly send to the desk a resolution and ask for its immediate consideration, in respect to a change in rule XXV paragraph 3, of the Standing Rules of the Senate, with respect to the Small Business Committee. I believe it has been cleared on both sides.

## SENATE RESOLUTION 101—CHANGING STATUS OF COMMITTEE ON SMALL BUSINESS TO THAT OF A STANDING COMMITTEE

Mr. BAKER. Mr. President, I send to the desk a resolution in respect to a rules change and ask for its immediate consideration.

The ACTING PRESIDENT pro tempore. The resolution will be stated by title.

The legislative clerk read as follows:

A resolution (S. Res. 101) to change the status of the Committee on Small Business to that of a standing committee, and for other purposes.

Mr. BAKER. Mr. President, I ask unanimous consent that reading of the resolution be dispensed with.

The ACTING PRESIDENT pro tempore. Without objection, it is so ordered.

Is there objection to the present consideration of the resolution?

Mr. ROBERT C. BYRD. I have no objection.

Mr. WEICKER. Mr. President, as chairman of the Small Business Committee, I rise in support of this resolution. I would like to thank the joint

leadership for their support and cooperation in this effort to change the status of the Small Business Committee.

Although the Small Business Committee has had all of the powers and authority of a standing committee of the Senate since it acquired legislative authority in 1976, it has continued to be labeled a "select" committee. By taking this action today, the Senate is sending a clear signal to the American people that the problems of small business are not to be ignored or forgotten, but that small business and its advocate, the Small Business Committee, are here to stay.

This resolution in no way alters the committee's current authority or jurisdiction, and will have no impact on the ability of any committee member to serve on this, or any other committee in the Senate.

Today, as the Small Business Committee takes its rightful place among the standing committees of the Senate, is a truly significant and long-awaited day for small businesses across this Nation.

## HISTORY OF THE SMALL BUSINESS COMMITTEE

The Senate Small Business Committee was created as a select committee during the 81st Congress to study and survey "by means of research and investigation all problems of American small business enterprises, and to obtain all facts possible in relation thereto which would not only be of public interest, but which would aid the Congress in enacting remedial legislation."

The committee was empowered from time to time to report to the Senate, by bill or otherwise, its recommendations on matters referred to the committee or otherwise within its jurisdiction. At the time of its creation, the committee was not granted legislative authority, nor was a termination date specified. Despite this lack of legislative authority, the Small Business Committee throughout these earlier years continued to reflect the needs of small business through its legislative mandate.

On April 29, 1976, the Senate passed Senate Resolution 104, which gave the Select Committee on Small Business legislative authority over the Small Business Administration, to take effect when Congress reconvened in January, 1977. The committee continues to have and exercise that authority.

Mr. President, today's action by this Senate is particularly ironic when you consider that in 1979, a serious attempt was made to abolish this committee entirely.

That today we are not only reaffirming our faith in this committee, but are further recognizing its ongoing importance by making it a permanent, standing committee shows clearly the progress small business has made.

Giving the committee permanent status as an advocate for small business is the culmination of a growing appreciation and recognition of the contributions small business has made and will continue to make, and of the clout the small business community has come to have.

Further proof of this clout is in the growing interest in having membership on this committee. Originally set at 9 members, the committee size nearly doubled to 17 at the beginning of the 96th Congress, when Senators, recognizing the breadth of the small business constituency, showed increased desire to sit on the committee.

#### SMALL BUSINESS IN THE AMERICAN ECONOMY

The importance of small business in our economy is clear. The facts speak for themselves. Small businesses account for 43 percent of the gross national product, 58 percent of private employment, and 75 percent of all new jobs. Finally, after many years of neglect, these economic facts are being translated into political clout.

I might add it is about time. And not a moment too soon. We are witnessing a growing concentration of economic power. If our free enterprise system is to survive, a reversal in Federal tax and regulatory policies must occur.

The top Fortune 100 firms now control the same share of manufacturing assets that the top 200 did 30 years ago. Put simply, this means that today the same amount of the Nation's assets are concentrated in half as many hands. The top 200 firms now control 61 percent of the Nation's manufacturing and mining assets, which is the same percentage share owned by the top 1,000 enterprises at the start of World War II. Meanwhile, small- and medium-sized businesses today control less than 27 percent of this country's corporate assets, whereas they owned nearly twice as much in 1960.

This increased economic power in the hands of a few of our Nation's largest businesses has not come about due to efficient operations. Instead, it has come about due to the purchase of small businesses by larger businesses. Nearly 74 percent of those businesses acquired by merger or acquisition in 1976 had assets of less than \$1 million, while almost half of the acquiring companies had assets in excess of \$100 million.

Clearly, small businesses are being swallowed up. At a certain point in their growth, small business owners have found it more attractive to sell out than to continue to try to exist as a private independent interest. Taking into account existing economic structures, it is understandable. Small businesses are finding it increasingly difficult to survive. Fifty-five percent of all businesses in the United States fall in the first 5 years. With interest rates for short-term borrowings hovering around 20 percent, a growing number of small firms are being forced into bankruptcy.

As chairman of the Small Business

Committee, I believe we have an important role to play as an advocate for the small business community. A large part of that role is to see that this kind of trend toward failure and surrender does not continue. I intend that this committee act as a legislative watchdog, reviewing bills from the small business perspective, and assessing their impact on this diverse and important business sector.

In this advocacy role, I introduced, earlier this year, S. 360, the Omnibus Small Business Capital Formation Act. This comprehensive legislation, cosponsored by Senators LUENBERGER, NUNN and 19 others, was offered so as to insure that the questions of small business tax relief will be seriously considered at the earliest stages of deliberation on tax cut legislation. I intend to bird dog the progress of this bill every step of the way in an effort to obtain fair and equitable tax treatment for small businesses.

Members of the Small Business Committee know well the seriousness of the problems facing small businessmen and women. Their advocacy role has been ongoing; it does not just start now.

In addition to the tax reform legislation I mentioned a moment ago, this committee has begun active oversight of the SBA, with a number of hearings on programs and policies already planned.

Yesterday we held a confirmation hearing on Michael Cardenas, the President's choice for Administrator of the SBA, and just this afternoon we completed deliberations on that nomination by approving Mr. Cardenas for that weighty and highly demanding job.

We intend to work closely with Mr. Cardenas in the months ahead as we continue our oversight activities with regard to the SBA, something I, as chairman, set as one of our top priorities at the beginning of this year.

We are also committed to seeing that the Regulatory Flexibility Act, the Equal Access to Justice Act and the Patent Reform Act—all important laws enacted last year—are fully implemented and administered effectively. We will likely be holding hearings in the coming weeks and months to fulfill that aim.

We have been and we will continue to be advocates for small business. As advocates, we appreciate the support the Senate has given us today and the message they have sent to the country. Small business is here to stay, and as of today, so is this committee.

Mr. NUNN. Mr. President, I support the resolution amending the Standing Rules of the Senate to elevate the status of the Select Committee on Small Business to a full standing committee.

Since the creation of the Small Business Committee on February 20, 1950, it has played a significant role in the jurisdiction on par with other standing legislation of interest, need, and concern to the small business community.

However, it was not until the passage of Senate Resolution 104 in April 1976 that the committee received legislative jurisdiction on par with other standing committees of the Senate.

The Senate's action today will merely clarify the fact that the Small Business Committee, like its sister permanent committees in the Senate, is a full standing committee.

The resolution makes no change in the jurisdiction of this, or any other committee.

The resolution makes no change in the ability of present members to serve on the Small Business Committee, and does not impact service on any other committee.

The resolution creates no new committee in the Senate.

The resolution requires no additional expenditures by the Senate.

Simply, the resolution has the effect of eliminating the appearance that the Senate is relegating the important issues of small business to some kind of subordinate Senate committee.

In 1950, Congress firmly addressed the importance of creating a strong and healthy environment in which small business could be created and flourish.

But we also saw the structural barriers in our society that stifled that environment. The creation of the Select Committee on Small Business was the vehicle designed to identify those limitations and recommend solutions to them.

In 1953, Congress established the Small Business Administration as an independent agency of the executive branch. Originally, the SBA was created to help small businesses meet the needs for interim financing.

It has performed that job well, so that, to date, it has made over \$25 billion in direct and guaranteed loan assistance to the independent entrepreneur, at minimal cost to the Government. During the past 28 years, Congress and the executive branch have broadened the agency's mission and responsibilities beyond that financing role. Through the most decentralized and diversified field structure in the Federal Government, the Small Business Administration:

- Administers emergency disaster assistance for homeowners and businesses;

- Utilizes private sector resources to foster equity capital for businesses through small business investment companies;

- Provides procurement assistance and access to contracts for small and small disadvantaged businesses that might otherwise be foreclosed in the normal procurement process; and

- Has one of the most successful advocacy programs on behalf of their constituents.

These programs have been created, reviewed, and refined by the work of the Senate Select Committee on Small Business during the past quarter century—in cooperation with other standing committees. That cooperation will continue to exist.

This resolution signals to the small business community, the executive branch, and the public, that the con-



tinued vitality of small business is a matter of continuing priority for the U.S. Senate. The resolution is the next logical step for us in its recognition of small business.

Mr. President, I urge adoption of this resolution.

The ACTING PRESIDENT pro tempore. The question is on agreeing to the resolution.

The resolution was agreed to.

The resolution (S. Res. 101), submitted by Mr. BAKER for himself, Mr. ROBERT C. BYRD, Mr. WEICKER, Mr. NUNN, Mr. HATCH, Mr. HAYAKAWA, Mr. GORTON, Mr. RUDMAN, Mr. D'AMATO, Mr. BAUCUS, Mr. LEVIN, Mr. DIXON, Mr. BUMPERS, Mr. HUDDLESTON, Mr. SASSER, and Mr. BOSCHWITZ, reads as follows:

S. Res. 101

Resolved, That Rule XXV, paragraph 3 (b), is amended by striking:

"Small Business..... 17".

Sec. 2. Rule XXV, paragraph 3(a), is amended by striking the period at the end and adding in lieu thereof:

"Small Business..... 17".

Sec. 3. Paragraph 1 of Rule XXV is amended by—

(a) redesignating subparagraph (o) as subparagraph (p); and

(b) inserting after subparagraph (n) the following new subparagraph:

"(o) (1) Committee on Small Business, to which committee shall be referred all proposed legislation, messages, petitions, memorials, and other matters relating to the Small Business Administration.

"(2) Any proposed legislation reported by such committee which relates to matters other than the functions of the Small Business Administration shall, at the request of the chairman of any standing committee having jurisdiction over the subject matter extraneous to the functions of the Small Business Administration, be considered and reported by such standing committee prior to its consideration by the Senate; and likewise measures reported by other committees directly relating to the Small Business Administration shall, at the request of the chairman of the committee on Small Business, be referred to the Committee on Small Business for its consideration of any portions of the measure dealing with the Small Business Administration, and be reported by this committee prior to its consideration by the Senate."

"(3) Such committee shall also study and survey by means of research and investigation all problems of American small business enterprises, and report thereon from time to time."

Sec. 4. Senate Resolution 58, agreed to February 20, 1950 is repealed.

Sec. 5. Senate Resolution 272, agreed to May 26, 1950 is repealed.

Sec. 6. Senate Resolution 104, agreed to April 29, 1976 is repealed.

Mr. BAKER. Mr. President, I move to reconsider the vote by which the resolution was agreed to.

Mr. WEICKER. I move to lay that motion on the table.

The motion to lay on the table was agreed to.

#### ORDER OF PROCEDURE

Mr. BAKER. Mr. President, I have no further need for my time under the

standing order, and I am prepared to yield it to the distinguished minority leader or any other Senator.

Mr. ROBERT C. BYRD. I thank the distinguished majority leader. I will accept the time.

#### ORDER OF PROCEDURE

Mr. ROBERT C. BYRD. Mr. President, I yield to Mr. PROXMIER such time as he may desire.

Mr. PROXMIER. I thank the minority leader.

#### UNITED NATIONS REPORT ON GENOCIDE IN CAMBODIA

Mr. PROXMIER. Mr. President, many people feel that a genocide treaty is no longer necessary because the horror that occurred in Hitler's Europe in World War II will never recur. The fact is that genocide is something that has happened over and over again and is happening right now.

No lesser an authority than the United Nations has asserted just recently that genocide committed by the Pol Pot regime lies at the root of Cambodia's current, serious problems.

The study, sponsored by the U.N. Human Rights Commission, describes events in Cambodia as "without precedent in our century, except for the horror of Nazism."

The barbaric genocide of the Khmer Rouge left millions dead and maimed. Conservative estimates put the percentage of Cambodians destroyed at over one-seventh of the population. Those who survived will bear deep psychological scars for the rest of their lives. The atrocities of the Pol Pot regime during 1958 were committed in the name of self determination and Marxist rule. Yet the price was a calculated, systematic elimination of entire segments of the national population. The study emphasizes that the memory of this genocide must never be forgotten.

This report, issued on January 19 of this year, led to the recent U.N. Human Rights Resolution 29, which cites the extreme violations of human rights in Cambodia in recent times, and calls for the parties of the present conflict to negotiate a settlement, and begin to improve the terrible conditions the population now faces.

Mr. President, that the Cambodian people have suffered famine, torture, and persecution in the past decade is not news. Reports of this sort serve to confirm our worst fears, by revising our estimates of killing and destruction constantly upward. But to a generation that has seen death camps, political torture, and widespread repression, additional horrors seem almost commonplace—in-avoidable products of the dark side of human nature. This acceptance is both frightening and intolerable.

Somewhere the terror must stop; sometime a declaration must be made against the madness we almost helplessly accept. There now exists a declaration that con-

demns the insanity of mass murder, and makes this most grotesque violation of human rights and international crime. The United States has not joined in this declaration.

We, the United States, submitted the Genocide Convention. President Truman submitted the Genocide Convention for Senate ratification in 1949. We were successful in gaining its adoption by the United Nations first. We led the way. Thirty-two years later, the Senate remains uncommitted on this issue. We have not voted on a treaty that asserts the most basic right to live, that has been supported by every President since Truman, including the current incumbent President, President Reagan, and the Secretary of State, Alexander Haig. Of course, this would greatly strengthen our credibility when speaking out against oppression and persecution throughout the world.

Only the John Birch Society and a few other far, far right groups oppose this. The American Bar Association, every religious group has spoken out strongly in favor of our ratifying the convention, and yet this body somehow has not found the will or the courage to act as we certainly should.

Few, if any of us would be unwilling to express outrage over the crime of genocide. Now it is time to stand together and be counted. There is no reasonable defense against the treaty's ratification, and our inaction in these Chambers only serve to embarrass us in the eyes of the world.

We must ratify the Genocide Convention.

Mr. President, I yield the floor.

Mr. ROBERT C. BYRD. Mr. President, I yield the remainder of my time to Mr. EAGLETON if he needs it.

#### RECOGNITION OF SENATOR EAGLETON

The ACTING PRESIDENT pro tempore. The Chair recognizes Mr. EAGLETON.

Mr. EAGLETON. I thank the President and I thank both the distinguished majority leader and the distinguished minority leader for their courtesy.

#### THE REAGAN ADMINISTRATION AND HUMAN RIGHTS: A DISTURBING SHIFT

Mr. EAGLETON. Mr. President, during his Presidential campaign, President Reagan pledged to change the direction of the country in both domestic and foreign affairs and his impressive electoral mandate obviously gives him the right to enunciate and pursue new policies.

Nevertheless, I express my concern over one of those policy shifts, namely, the decision to deemphasize, if not abandon, the human rights element of the Carter administration's foreign policy.

While I applaud the administration's

resolve to mount a major effort to combat international terrorism, I believe that this new policy should be looked on as an extension of, and not a substitute for, our commitment to human rights. Fundamentally, there is little difference between the violent tactics of terrorist groups and the systematic brutality of some governments. Both are exercises in power from the barrel of a gun. Both rely on the instruments of fear and repression to achieve their ends. Both are abhorrent to the values of freedom and human dignity this Nation always has represented.

I am a realist and recognize that we live in an imperfect world. At times, our national interest requires that we cooperate with and assist regimes whose domestic policies we find repugnant. It is the choice of the lesser evil.

However, such exigencies should not be allowed to obscure our more lasting purpose of promoting human rights throughout the world. This involves a delicate diplomatic balance, which sometimes depends as much on how we undertake an action as the action itself.

That brings me to the point of my remarks today, which is to register my dismay at the warmth with which this administration has embraced a succession of questionable regimes around the world. I cite the following events which have taken place since the November election.

In the administration's first public statement of policy toward South Africa, President Reagan stunned the frontline South African nations by proclaiming support for the government of Prime Minister P. W. Botha, thus undermining the collective settlement project in Namibia which the United States, Britain, Germany, and Canada have pressed since 1978. There are reports that the administration is considering inviting Mr. Botha to become the first South African head of state ever to visit the United States. In one of the most shocking examples of official deceit I have witnessed in many years, the State Department has backtracked on earlier denials and now confirms that the highest ranking South African military intelligence officer met secretly with U.N. Ambassador Jeane Kirkpatrick last week. Just a few days before, the Department vigorously denied that the visit had any official sanction. In fact, it was said to have occurred without official knowledge. Now the truth comes out, and we find that not only did the visit have official blessing, but this military representative of the most openly racist society on Earth had a private meeting with a member of the Reagan Cabinet.

Next point: As President-elect, Mr. Reagan met with Imelda Marcos—wife of Philippine President Ferdinand Marcos. Reportedly, he gave assurances that the new administration would be less judgmental toward the Philippine Government, which was characterized as a major ally. Those assurances tended to relieve President Marcos of the pres-

sure on him to ease repressive conditions in the island nation.

In February, President Reagan received President Chun Doo Hwan of South Korea at the White House. He was the second head of state to be officially welcomed since the inauguration. By embracing President Chun, President Reagan diluted the criticism this Government has continued to express over South Korea's violent takeover of the government by the military.

Next item: Secretary of State Alexander Haig received Argentine President-designate, Lt. Gen. Roberto Viola, and signaled an apparent willingness to lift the 3-year ban on arms sales to Argentina imposed by the Carter administration for violations of human rights. He also indicated a willingness to act favorably on Argentina's desire to purchase about 100 million worth of arms.

Next: The new administration has indicated a willingness to ask Congress to repeal legislation that effectively prohibits U.S. military intervention in Angola. Coming so quickly on the heels of our escalating involvement in El Salvador, this is particularly disturbing.

Next: Reports have circulated concerning the prospect of renewed and extensive American arms sales to Pakistan—in particular, the sale of two squadrons of F-15 fighters, a request the Carter administration would not even consider.

Next: The State Department announced resumption of Export-Import Bank financing for American exports to Chile and also invited Chile to participate in military exercises with the navies of the United States and Argentina.

Next: Members of the administration have proposed selling C-130 Hercules military transport planes to the revolutionary government of Algeria, thus reversing a longstanding policy barring military sales to that Soviet-supplied militant government.

Adding to the burden of these developments, the administration has seen fit to nominate a once outspoken opponent of human rights statutes to head up the State Department office responsible for administering those very laws. Rightly or wrongly, the nomination of Ernest Lefever to that critical post will be taken by a watching world as an abandonment of our past commitment.

The unfortunate message these events convey to the world, I am afraid, is that we no longer care what outrages a government commits against its own people so long as it can be useful to us in containing the spread of guerrilla terrorism. I hope that this is not the administration's intent, for it would have serious practical as well as moral implications for U.S. foreign policy.

Our identification with the aspirations of oppressed people throughout the world has given our country a real edge in competing for influence in the Third World. Nothing has so confounded the Soviets in recent years as the fundamental contrast between governments founded on the basis of respect for hu-

man rights, and the Communist system. Even the nonaligned movement has become a source of consternation for the Soviets.

A rational case can be made that the Carter administration went a bit overboard in its human rights policy. Certainly, it can be argued that the policy was applied in an inconsistent way. I can well understand an effort to correct those admitted problems. What concerns me is that this administration appears to be going too far in the opposite direction, publicly courting governments with human rights records almost as deplorable as that of the Soviet Union itself. In many cases, these countries are either not vital to our interests or have their own motives for staying distant from the Soviet Union.

This cannot be an encouraging development to those countries which have responded to our leadership in the human rights area, and which have influenced organizations such as the OAS and the OAU to incorporate the basic tenets of freedom in their respective charters. Do we throw away these advantages simply because we did not like the inconsistencies of the last administration? Does it not make better sense to correct the inconsistencies, but maintain the policy which has served us so well in the world?

Mr. President, it is not the administration's new foreign policy initiatives that so much concern me. It is the seeming abandonment of the old and enduring values of our past approach to the world. I question whether it is necessary, even in the pursuit of a united effort against terrorism, to display such warmth and respect to regimes whose values are so repugnant to our own.

Mr. President, I yield back the remainder of my time.

Mr. GOLDWATER. Mr. President, I suggest the absence of a quorum.

The ACTING PRESIDENT pro tempore. The clerk will call the roll.

The bill clerk proceeded to call the roll.

The PRESIDING OFFICER (Mr. D'AMATO). The Senator from Arizona.

Mr. GOLDWATER. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. GOLDWATER addressed the Chair.

#### RECOGNITION OF SENATOR GOLDWATER

The PRESIDING OFFICER. The Senator from Arizona is recognized.

#### PRESIDENT REAGAN'S ECONOMIC RECOVERY PLAN

Mr. GOLDWATER. Mr. President, I rise this morning to support President Reagan's economic recovery plan, and I would like to start off by observing that



it contains basically six elemental and essential ingredients.

First, this will make major reductions in the growth of Federal spending.

Second, there will be sizable tax cuts to reward work and encourage savings.

Third, there will be a reversal of over-all regulation.

Fourth, we will weed out waste and fraud.

Fifth, we will cut the Federal bureaucracy as much as it can be cut and still allow services to be given to the American people.

Sixth, we will work to control the money supply.

Now, Mr. President, I would like to discuss these various ingredients one by one.

First, President Reagan has identified ways the Federal budget can be reduced by \$56 billion in fiscal year 1982. This includes \$49 billion of on-budget savings and an additional \$5 billion of off-budget outlay savings, and changes in user fees that will eliminate \$2 billion of subsidies.

Mr. President, during the 1981-84 fiscal years the President's budget plan will bring down the rate of growth of Federal spending to 5.5 percent annually compared to the 16-percent trend of the last 3 years. Thus the growth of Federal spending will be held below the increase in the gross national product.

I do not think the President went as far as he could have in all areas of budget savings. For example, the proposed reduction of unemployment payments could have been beefed up. The administration properly calls for new legislation stopping unemployment insurance payments to people who will not take other jobs at the minimum wage after drawing benefits for 3 months. But the administration has not recommended a change that would result in even greater savings, and that is imposing a Federal restriction on payments to strikers and, Mr. President, I do not think there is an American who believes that we should make Federal payments to people who voluntarily leave their jobs to go on strike.

In fact, I ask the question why should the taxpayers have to bear the costs of subsidizing people who voluntarily stay off the job while they are on strike? There is no Federal requirement, Mr. President, in this area at the present time, and there should be.

On the other hand, there are places in the budget where the administration's zeal for immediate savings might be excessive. I am very skeptical, for example, of the wisdom in reducing the long-term lending authority of the Export-Import Bank. Unfortunately, our major trade competitors are engaged in serious credit warfare primarily directed against our growth industries, and I do not see how we can negotiate an elimination of Government export credits by making unilateral concessions.

But, even so, I am prepared to support the President's overall program and to

applaud his efforts to finally get control over the budget and restore the value of the dollar.

On the second point, Mr. President, tax reductions, the administration has proposed personal tax rate reductions of 10 percent each year for 3 years beginning in July. Now, these cuts will barely compensate taxpayers for the price of rising into higher tax brackets as their salaries keep even with inflation, and they are the minimum reductions individuals are entitled to.

Also the President has recommended accelerated capital costs recovery depreciation so that business firms will be encouraged to make the investments in the new plant and equipment that are needed to modernize our industries and restore competitiveness and increased productivity.

Mr. President, I cannot emphasize this particular point too much because I think it is the whole meat and substance, you might say the nut, of the Reagan proposal to get this country back on its fiscal feet.

I used to argue with President Eisenhower that we were not reinvesting enough of our gross profits when we were reaching a sum of over 3½ percent and approaching 4.

In my business, when I was in business, I used to invest over 4 percent each year, and I have always felt that if we could go for a period and see a general investment of around 5 percent we would see the type of business growth that this country has enjoyed ever since the industrial revolution of the late 1800's.

Mr. President, what we have been going through and what I think is a major source of our industrial problem is harassment by the Government and by the Internal Revenue Service, caused by excessive Federal tax rates and rulings, on the American business structure, whether that structure is corporate, private business, or professional business.

Businesses have to grow if people are going to have jobs and if the oncoming generations of young people are going to find jobs. Even though we now have over 90 million people employed in this country, I think within the next 5 years we could easily increase that by 14 million if we gave the corporations and businesses of this country real incentives to invest more of their gross profit in new equipment, new buildings, and new ideas so that we can continue to grow economically as we have always grown up until recent years.

If I may point out, Mr. President, how important I feel this is, I happen to serve on the Armed Services Committee and I am chairman of the Tactical Warfare subcommittee. In that position I have to listen to the needs of the military, and I sit there day after day after day asking myself a rather unusual question but, nevertheless, it has to be asked: Do we have the industrial capacity in the United States to build up our defense potential or build up our military?

I have grave doubts, Mr. President, that we do have this. I hope I am wrong, but we are going to see the industry of this country challenged, and challenged

immediately, as we begin to authorize new airplanes, new ships, new tanks and so forth, for the military.

Then, you add to that problem the problem that we import into this country every metal we have to have to build equipment, like bauxite, cobalt, and so forth. We have not been bringing these in because our industry has not been able to afford to stockpile it. We now find ourselves looking at lead times of up to 3 years to replace a little thing like the landing strut on a fighter plane because it is made of titanium, and we do not have that much titanium in this country.

I mention those two things because they are directly connected with the problem of getting American industry back on its feet, working as it should, and producing the things that we need, not just to build aircraft and tanks and so forth, but to provide the butter end, as we call it, for the American people.

I happen to be cosponsoring each of these needed tax changes, but I would personally like to see even greater incentives added for savings, such as a total exemption of a thousand dollars or more for interest earned and dividends.

Also, our Nation's manufacturers, as I have discussed, who are being crushed under the burden of compliance with Government mandated environmental and safety rules, need some form of tax relief from these capital investment costs that make absolutely no contribution to productivity.

I would just cite one example. My State of Arizona produces 65 percent of all the copper produced in the United States and yet the environmentalists are demanding that the smelters in the copper industry relieve their smoke-producing smelters 100 percent.

Well, it is scientifically and technically impossible to do that. Nevertheless, these well-intentioned people are trying to do it. And they are causing many of our copper people to feel: Why stay in this business that is not too profitable to begin with? Why not depend on foreign countries for our copper like we depend on foreign countries for every other metal that we have to have?

So I am hopeful that we can let off a bit in this desire that all of us have to see cleaner air and cleaner water in the interest of production for our country.

Then, Mr. President, we get to the subject of deregulation.

President Reagan has seized control of the regulatory process. Only 9 days after his inauguration, the President froze all "midnight" regulations of the Carter administration that had been issued, but were not yet effective. Then on February 17, the President issued an Executive order giving the Office of Management and Budget a review and rewrite power over new executive branch regulations. The rules subject to OMB's veto have in the past accounted for up to 70 percent of the costs imposed on the private sector by regulation. I applaud the President for taking these initiatives and hope, in turn, we can have his support for the legislative veto, which would allow either House of Congress to overturn, or at least delay, major proposed

rules without Presidential signature. In this way, both the White House and Congress would have an immediate veto power over excessive regulation.

And let me remind you, Mr. President, and remind my colleagues that we create these agencies in the Congress. But we do not tell those agencies how far they can go. We do not build a fence around what their responsibilities are.

Consequently, somebody is hired, usually somebody who does not know one end from the other about what he is going to undertake, then he and the people he hires write the regulations. And, frankly, in case after case after case, they are regulations written by people who have never been near the problem.

Now, because the Congress has been derelict in doing this, I think the Congress should have given to them the right to veto any regulation that is written by any agency to govern the lives of the American people.

The reduction in regulations under the administration's present plan will result in savings of \$500 million in Government administrative expenses in 1981 and reduce the compliance costs of regulations, which add up to \$100 billion per year to the price of goods and services.

Also, it is my understanding the administration will change the criteria for issuing regulations—from the old policy of imposing rules unless a firm can prove the cost is so great it will go out of business, to a new standard under which Government intrusion is permitted only if it produces benefits that outweigh the costs and if the regulation allows compliance by the least expensive method.

And then there is waste and fraud. The administration will announce tomorrow, Thursday, details of a major effort to control program waste and fraud. And I do not think we can just laugh this off and say it cannot happen in the Federal Government. I remember one director of, I believe it was, Health, Education, and Welfare, who admitted that \$7 billion had been stolen the year before. I would not want to guess as to how much of the taxpayers' money has been stolen by people who work or have worked for the Government or have received Government payments.

Now even the Defense Department is not exempt from charges to eliminate wasteful practices. I have personally suggested specific contract procurement changes, such as multiyear contract and increased competitive bidding, that will save \$3 to \$4 billion annually. I am confident many of these measures will be adopted by Secretary Weinberger.

I might point out, Mr. President, just one incident. We have been buying one airplane for three services in this country for the last 5 or 6 years without any bidding at all. You and I can walk into any salesroom that sells that aircraft and buy it for the same price the Federal Government pays for it, when, if we had bidding, we could have saved some money on it.

In fact, they do not even tell us in the Armed Services Committee of the Senate that they are going to buy more.

They only tell the House because they know I am going to raise all kinds of Cain about it and they do not want to have that kind of trouble until we get into conference.

The next point is reducing the Federal bureaucracy. One of the first actions by President Reagan was to place a complete freeze on Federal hiring. As a successor to this policy, the President is proposing steep, annual reductions in Government employment that will bring Federal payrolls down by at least 7 percent in 1986.

For nondefense agencies, civilian employment will be reduced to a level that would have been achieved if the total freeze on hiring remained in effect through 1981. Even allowing for planned increases at the Department of Defense, civilian employment will fall by 43,000 positions in 1982.

I might point out that this is serious, because we are now being required to take men and women in uniform and place them into jobs that normally are done by civilians under contract.

The last point I will discuss is money supply. Although monetary policy is by law the responsibility of the Federal Reserve System, the administration anticipates that the rate of money and credit growth will be reduced gradually, but steadily. Easy money, high interest rate policies must become a thing of the past. The administration's 4-year plan to eliminate deficit spending should cut inflation in half by the 1986 fiscal year and enable the Federal Reserve System to dramatically reduce the growth in the money supply.

Mr. President, to sum up, I would like to express my feelings about this. I did so yesterday in a letter to my Republican colleagues, which I offered to them from an older man who has been around here a while, who has no great ambitions in the political field. I have had about all I can. We are going to have to forget the demands of our constituents in many cases. I think we are going to have to ask ourselves an important question: What is the most important—my being re-elected or saving this country?

Mr. President, I do not like to sound like an alarmist, but I have been concerned on this ever since I went into national politics over 30 years ago. Our country is not going to exist long if we continue the policies that we have been following for nearly 40 years: fiscal irresponsibility, over regulation of the people, a disregard for the Constitution's call for freedom, and a disregard for our regulations with other countries.

So I have pleaded with my Republican colleagues, and I merely offer this as a suggestion to all Members of the Senate, that when it comes time to vote for a decrease in spending that might affect a certain group of our constituents, I think we have to weigh that by saying, Will it hurt the constituents more than it will hurt the country? If it will do the country more good, I think the time has come when we have to tell our constituents, "No, I am going to vote the way the President has suggested because in the long run it will be better for you and it will be better for your children, your

grandchildren, and I honestly believe it can do more to insure the continued existence of America than any one thing."

I am very, very fearful about the dollar, which is now worth only about 10 cents of the dollar that we looked at years ago, a dollar continuing to decrease in value, which will continue to decrease in value. This country cannot go bankrupt as long as we can print money, but as somebody once told me, we would not be bankrupt but we would be mightily unstable. Having been in business, that means the same thing to me as bankruptcy.

I send that out as a thought for all of my colleagues to consider—what is best for the United States, not what is best to get reelected.

Mr. President, I yield the floor and suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The bill clerk proceeded to call the roll.

Mr. GOLDWATER. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. GOLDWATER. Mr. President, on behalf of the majority leader, I ask unanimous consent that the special orders for today occur not necessarily in the sequence given.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. GOLDWATER. Thank you, Mr. President. I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The bill clerk proceeded to call the roll.

Mr. D'AMATO. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER (Mr. GOLDWATER). Without objection, it is so ordered.

#### PRESIDENT REAGAN'S ECONOMIC PACKAGE

Mr. D'AMATO. Mr. President, I rise today in support of President Reagan's economic package. In the days ahead we will hear from many well intentioned people who will want to insure that their special program remains intact. However, as I have pointed out in a series of articles that were recently published "it will take courage for Congress to resist the importunings of so many special interest groups."

President Reagan has sent us a sweeping fiscal package that is deserving of the support of both sides of the aisle. The President deserves the help of Democrats in both Houses in a manner similar to the bipartisan support that was given Presidents Franklin Roosevelt and John Kennedy during previous times of economic peril. I certainly hope that colleagues in the Senate will put aside partisan politics and support President Reagan's economic initiative.

When Franklin Roosevelt, in the first 100 days of his administration, proposed an emergency banking bill, House mi-



nority leader Bertrand H. Snell told his colleagues:

The house is burning down, and the President of the United States says this is the way to put out the fire.

He asked his fellow Republicans to support that unprecedented bill, and they did.

When John Kennedy in 1963 proposed the Nation's first massive tax cut not preceded by a recession, a budget surplus or an equal reduction in expenditures, my party called it "the biggest gamble in history." But most Republicans supported that unprecedented bill, and the gamble paid off.

Now in 1981 Ronald Reagan has proposed a sweeping fiscal package that is also unprecedented in its approach. He, too, is accused of gambling with our economy and breaking with the past. He, too, seeks the support of both parties and the backing of all citizens. He deserves it.

Congress, to be sure, must examine the Reagan package with care, making certain that its burdens and benefits are equally shared. No group, region, or economic interest should be exempt from the pain of its budget reductions, and no group, region, or economic interest should be excluded from the boon of its tax reductions. Responsible objections should be heard. Hardship cases should be studied. Constructive amendments should be offered.

But let us not pick the Reagan package to pieces or delay its passage unto death. Let us not fiddle while the fires of inflation burn and the clouds of yet another recession darken the horizon. Let us not place our regional requirements or our partisan prejudices ahead of the national interest. Let us give Ronald Reagan a chance.

His economic program will not produce miracles in the battle against inflation. After all, it cannot dismantle OPEC, improve the weather, or curb the demands of those seeking ever-higher payments for their products or services. But his program will introduce discipline in a Federal budget now running amok. It will substitute sacrifice for a pattern of barely concealed fiscal self-indulgence. It will lower the ordinary citizen's expectations of what his government will do for him and increase his expectations of what his savings will buy for him.

It took courage for Reagan to call for the pruning of so many sacred groves. It will take equal courage for Congress to resist the importunings of so many special interest groups, at least one of which stands behind every item in the budget. And it will take still greater courage for the American voter to recognize that the greater good of the Nation, possibly the fate of the next generation, requires from him today a willingness to accept the paring of some cherished Federal program on which he had come to rely.

I believe that courage is there. I believe that my Democratic friends will heed the same call to fight the Nation's inflation as the Republicans did in 1933. I believe they will give the Reagan tax-

cut gamble the same opportunity to prove itself that the Republicans gave to the Kennedy taxcut gamble in 1963. And I believe that Americans everywhere, regardless of party, will respond to our President's call for sacrifice and bold action.

President Reagan has prescribed some strong medicine for an ailing nation. But no other equally far-reaching remedy is on the shelf. We have tried Keynes, controls, committees, and guidelines galore. None of them has worked. Let us give our President a chance to do what must be done for our Nation.

#### THE PRESIDENT'S ECONOMIC RECOVERY PROGRAM

Mrs. HAWKINS. Mr. President, I rise today in support of Senate Concurrent Resolution 9. No Member should underestimate the importance of the process of reconciliation that we are now undertaking. This resolution will be the first clear signal to the American people that Congress intends to impose the same budgetary discipline on itself that our individual constituents have found indispensable in these challenging times. And it will further signal that Congress recognizes that the time for such discipline is now—not next summer, and certainly not next year. Time is of the essence. Every day we wait adds to the burden to be borne by us, our children, and their children. Every hour we delay threatens to make a mockery of the will of the American people so clearly expressed in November, and reiterated in countless ways since then. Americans are ready, and they will not forget if we fail to heed their call.

We must not allow ourselves to be distracted by those who refuse to hear that call. Over the past several days, I have heard much about the need for compassion in Government, from people who seem to believe that with the change in political control that occurred as a result of the November election, a change has taken place in the traditional humanitarian outlook of our Nation's leaders. Nothing could be further from the truth. Those leaders were elected by the American people—no one else—and the American people remain a compassionate people, as we have been throughout our history.

But the American people have begun to ask a question, and that question resounds from one end of the land to the other, and into the Halls of Congress: What is true compassion? Is it compassionate for the Government to turn its citizens into unwilling and perpetual creditors by running a massive tab called the national debt to such an amount that it now threatens to exceed our gross national product for an entire year? Is it compassionate to saddle Americans with an ever-increasing tax burden, while at the same time fueling the cruellest tax of all—inflation—by the taxing authority's own spending policies? Is it compassionate to harass our people's employers with unnecessary regulation to the point that they cannot afford to provide jobs for their own fellow citizens? Does true com-

passion mean that we must become so preoccupied with the distribution of wealth that we ignore the creation of wealth, and cover up the inevitable infection in America's economy with a medicine show poultice of printing press money?

The American people, I submit, have given their answers to those questions in unmistakable terms. Americans remain a compassionate, and even a charitable people, but it is an old saying that never gets too old, that charity begins at home, and Americans in homes across this land are saying that they want their Government to act compassionately to give them a currency that will turn another old saying—"sound as a dollar"—into more than a sad joke. Americans across this land are saying that they want to act compassionately in helping to regain America's role as a world trade and production pacesetter, not through a make work job, but in the honest employment in their own Nation's industry. And what Americans across this land, and, as I learned dramatically this week, what Americans across Florida are saying is not vague or unfocused. It is specific and pointed: Support President Reagan in his program for economic recovery.

Two weeks ago, I placed a questionnaire in several Florida newspapers soliciting my constituents' opinions about the President's program. I was very curious as to what the response would be, since scientific studies have shown that persons opposed to a given proposition are most likely to respond to these types of inquiries, being more emotionally involved in the subject. But the people fooled the pundits again. In 5 days, I received over 15,000 answers, and over 95 percent of them support the President. And the people have not been content to just check "yes." They have some excellent ideas of their own on how to make even more cuts in the Federal budget. Most of the respondents attached a letter of their own to the questionnaire, re-emphasizing their sentiments.

None of us in Congress should make the mistake of misreading the American people on this subject. They are smarter than some politicians would like to believe. They know that the President has proposed an evenhanded, four-part program, which calls not only for budget reductions, but for tax relief for all Americans, a sound monetary policy, and getting the Government off the backs of the people by abolishing unnecessary regulations. President Reagan's program is a comprehensive program, and if the weight of my mailbags is any measure, the American people are supporting it comprehensively.

The reason for this astounding positive response rests on a basic realization by our people—that only when our overall economy is strong can we feel secure in our personal financial affairs. The consequences of an unhealthy economy are obvious—unemployment, inflation, and social unrest. As surely as an unhealthy economy breeds disease, in the broadest sense of that word, among our people, the salutary effects of a healthy economy penetrate to every strata of our society. Some of the medicine to cure the body

politic of what some have termed a malaise is strong and, for a time, distasteful. But better a temporarily unpleasant but long-lasting cure than a false and ultimately self-destructive panacea.

So the American people, I believe, have called upon us to redefine compassion. Compassion shall no longer mean throwing devalued dollars from the not-so-beneficent hand of big brother at problems which big brother himself helped to create. Compassion shall instead mean restoring our people's prosperity—and their destiny—to their own hands, through their own initiative and self-reliance—qualities that Americans have always displayed in abundance in times of crisis, and in which they will not be found lacking in our own time.

To bring it down to my own level, as a servant of the people, compassion for America requires my support of the President in his crusade to conserve our national promise, and that is why I shall do so, even if it means making decisions that are, for me and for the time, personally painful.

But at this time, it is not a pain, but a privilege to voice my support for this crucial resolution. When we meet and overcome the historic challenge of one time, the American people will truly be able to say, "thanks fifty billion."

The PRESIDING OFFICER. The Senator from Delaware is recognized.

#### THE GREAT DEBATE—ARE WE ASKING THE RIGHT QUESTIONS?

Mr. ROTH. Mr. President, as Congress debates the President's economic recovery plan and the American people watch and listen, I fear that the focus of that debate is taking the wrong direction.

First, let me point out that I am a very strong supporter of the President's economic package. It is the first comprehensive program that I have witnessed in my 14 years in Congress, and I congratulate Mr. Reagan for having the courage of proposing a long-term program that will build some home and growth into the economy.

Perhaps, rather than asking so blatantly what will happen to Government and specific programs under the President's economic plan, we should be asking what will happen to our economy, the American family and the American taxpayer if we do not pass the program. Even more specifically, what will happen if the full 10 percent, 3-year tax cut as proposed in the measure I sponsored with Congressman JACK KEMP is not passed.

Unless tax rates are reduced and the growth of Federal spending is restrained, the economy faces continued inflation and recession. The high rates of taxation now imposed on the American people are strangling economic growth, choking off private initiative, pushing up prices, and retarding the savings and investments needed to increase productivity and create new jobs.

Tax rate reductions will reduce the tax

drag on the economy and increase the incentives to work, save, invest, and produce.

Roth-Kemp is an across-the-board income tax cut which reduces tax rates for all taxpayers, with the benefits based on the amount of taxes a taxpayer pays. The bulk of the tax cut benefits will go to the middle-income working people who are bearing the greatest percentage of the tax burden. According to the Joint Committee on Taxation, taxpayers earning between \$10,000 and \$60,000 pay 72 percent of the total income taxes and would receive 73 percent of the Roth-Kemp tax cut.

It is one thing to cut Federal spending, which is sorely needed. But that action, in itself, will not provide relief to the massively tax-burdened middle American family.

Indeed, without a tax cut as suggested in Roth-Kemp and by the President, the average American faces a massive increase in his tax burden in the first half of the eighties.

Let us look at what will happen to the average family if we do not enact massive tax cuts—a family of four with earnings of \$25,000 in 1981.

Last year, the Nation's inflation rate was 13.5 percent. Let us assume that the budget cuts are passed and that inflation will average 10 percent per year through 1985—a figure not unrealistic even with the spending cuts, but without tax cuts.

First, that family of four earning \$25,000 in 1981 will be earning approximately \$36,602 by 1985, considering a cost-of-living pay raise of 10 percent a year in order to keep pace with the 10-percent inflation rate. And certainly, all American workers believe their earnings will increase. Such an increase obviously would put that family in a higher tax bracket, therefore, its tax burden would be even greater.

Second, in 1985, that same family will face a social security contribution rate of 7.05 percent with the wage base increasing to roughly \$42,300.

Today, at the current inflation rate, at the current social security contribution rate and at the current rate of taxation on \$25,000 of earnings, that family of four's tax obligation is \$4,563.

However, in 1985, in just 4 years, without a tax cut, that same family will face a social security and income tax liability of some \$8,040.

In real terms, that average American family will face a whopping 76-percent increase in its tax liability in a scant 4 years.

Mr. President, I call to your attention the charts in the back of the Chamber. The diagram on the left shows what is happening to the typical American family and the taxes they will be paying to the Federal Government.

It shows how without a tax cut that increase will be 76 percent, whereas with the President's cut it will be reduced to 44 percent, which is still a very significant tax increase.

Let me point out that the same family's spending power would have remained the same with these increases except for the increase in its tax liability

which, in effect, reduces its spending power by \$3,477.

So what I am saying is that the bottom line is this: That despite cost-of-living pay increases, the average family of four is realistically \$3,477 poorer simply because of Uncle Sam and the infamous bracket creep which has pushed that family from the 24-percent tax bracket into the 32-percent tax bracket.

Mr. President, I point out in the other chart what is going to happen to the taxes of the working families of America. The incline is most substantial if we do not do something about it now. The American people will be facing the highest tax increase in the history of the country if this Congress does not have the courage to follow the recommendations of the President.

It would be a crime against the working people of this Nation if we do not pass a massive long-term tax cut. What faces the American family, those making between \$10,000 and \$60,000 in the next 4 years cannot be allowed to happen. With the increases in social security taxes already on the books, with continued inflation, and, even with cuts in the Federal budget, the average family in America faces a tax nightmare, one that will continue to eat away at their freedom of choice for themselves, eat away at the prospect of more jobs, eat away at the prospect of a better tomorrow because simple arithmetic answers the question. American families will be much worse off 4 years from now if tax cuts are not passed.

Moreover, I am very concerned that the individual income tax rate reductions the President proposed are becoming overlooked in favor of the tax reductions benefiting business and industry. I support such tax changes, including accelerated depreciation, as a means of increasing productivity and providing new jobs for the young and unemployed. But I do not support business-side tax cuts either in isolation from or instead of individual cuts.

It is the middle-income individual and family that have been forgotten by Government. It has been left to the middle class to carry almost all of the tax burden in this country. It is past time that we give them some help.

Therefore, in order to emphasize the urgency of providing real help to middle-income taxpayers, I plan to advise the President that I will not support business tax cuts unless they are coupled with additional provisions identical or very similar to his proposals providing for a 3-year 30-percent reduction in tax rates.

I might point out, Mr. President, that this letter, which has already been sent to the President, has been signed by 19 of my colleagues. We say that,

Furthermore, we will not support a reduction in the 70-percent maximum tax rate on unearned income, which would benefit the few, unless these individual reductions for the working people are also included in any tax cut bill.

Further, I will not support reduction in the 70-percent maximum tax rate on



unearned income, which would benefit the few, without these individual reductions for middle-income taxpayers also being included in any bill.

At this time of economic emergency for many millions of Americans, it would be the height of irresponsibility for us to help business and the wealthy without at the same time giving real and substantial help to the American middle class.

The time has come to change the arguments from financing Government to easing the tax burden from the shoulders of the American family. And, I must point out, even with a tax cut in the first year, the American family will not be able to break even with its increasing tax burden for 1981.

We can no longer afford to argue the value of Government revenues versus the American family. The burden has become too great, and it holds promise of becoming even more debilitating without the tax cuts proposed by President Reagan.

If we look clearly at the picture down the road, there can be no question that the American working people must have relief from taxation by their Government.

Mr. President, I yield the floor.

The PRESIDING OFFICER (Mr. SPECTER). The Senator from Wisconsin.

#### THE REAGAN PROGRAM FOR ECONOMIC RECOVERY

Mr. KASTEN. Mr. President, we have before us a rare opportunity—a chance to redirect the economic future of our Nation. Seldom are the issues as clear-cut, and the American people as united, as they are today. It is time for a fresh start, a new beginning. That is what the people were trying to tell us last November, and that is the mandate we will have to live up to in 1982.

The American economy is still the strongest in the world, but it has been abused for too long by too many administrations. Too many economic game plans—no matter how well intentioned—have gone astray. We have attempted to spend our way to prosperity, to stop inflation with wage and price controls, to balance the budget by raising taxes, and even to blame our economic problems on a "malaise" among the people.

Now we have a President who believes that the American people are not the cause of our problems—they are the solution. Ronald Reagan wants to unleash the creative and innovative forces of the American people, who have been held down too long by excessive taxation, inflation, and Government regulations. Once we remove the burdens of a bloated Federal Government, we can have full employment without inflation, a rising standard of living, and a strong defense. The American people know we can, because we have done it before.

But in 1981, our economic problems are complex and entrenched. Unless we act—and act boldly—we have to expect continued double-digit inflation, continued high interest rates, continued unemployment, continued stagnation, and little or no real growth.

The best strategy for solving these problems is a broad and comprehensive economic package that takes advantage of all the economic tools we have at hand. It includes a monetary policy geared toward restoring the value of the U.S. dollar; spending cuts to reduce both the Federal deficit and high interest rates; regulatory reform to cut the cost of Government regulations (now approaching \$100 billion a year); and tax-rate reductions to increase the incentives for real economic growth. Together these policies can restore the kind of noninflationary, fully employed and highly productive economy that used to be commonplace.

That is why the Republican program for economic recovery consists of not one but four major policy changes. We have heard a lot about budget cuts this past week, but that is only one-fourth of our economic package. The other sections are just as important: We must institute a far-reaching program of regulatory relief, a monetary policy that will restore a stable currency, and a tax reform bill that will dramatically reduce the high tax rates on individuals and businesses across the board.

It is ironic that one of the most important parts of our recovery program, tax reform, may be the most difficult to accomplish. Critics call the Reagan tax plan jellybean economics, and say it will only succeed in making inflation worse. And yet, despite all their protests, they have yet to explain why it is inflationary when people spend their own money, but not inflationary when the Government spends it for them.

Everyone knows that when you tax something, you get less of it. When you subsidize something, you get more of it. The Reagan administration is simply saying that in America today, we are taxing work, saving, investment, enterprise, and excellence, as never before. And we are subsidizing nonwork, consumption, debt, leisure, and mediocrity. Is it any surprise that we are getting less of one and more of the other?

We will never see the end of stagflation until we restore the incentives for saving, entrepreneurship, and productivity in this country. Dramatic tax rate reductions, then, are an essential part of any overall economic recovery plan.

Equally important are the budget cuts the President has recommended, approved by the Senate Budget Committee last week. Personally, I would have preferred that we made deeper cuts in an effort to balance the budget by 1983 at the latest, instead of 1984. The Federal budget has been out of control for years—we ran a deficit every year of the past decade, and overall Federal spending increased by an incredible 200 percent. And as one who faced the voters last November, I am convinced that the vast majority of Americans are solidly in favor of our strategy to cut the growth of Federal spending and balance the Federal budget as soon as possible.

That message seems to be reaching Washington at last.

There probably is not a single Senator on the Budget Committee who would not

change the administration's budget package a bit if he were designing it alone. But on March 19, that bipartisan and philosophically diverse group voted 20 to 0 in favor of the administration's budget cut package. As a member of the Senate Budget Committee, I strongly believe this is a budget we all can, and must, support.

President Reagan made the best argument for his program 1 month ago when he stated that—"If we as a Nation do not take the bold new policy initiatives proposed in this program, we will face a continuation and a worsening of the trends that have developed in the last two decades. We have a rare opportunity to reverse these trends: To stimulate growth, productivity, and employment at the same time that we move toward the elimination of inflation." I urge my colleagues to join me in supporting the entire economic recovery package and in pushing for its speedy enactment.

Mr. President, I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The legislative clerk proceeded to call the roll.

Mr. HAYAKAWA. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER. Without objection, it is so ordered.

The Senator from California is recognized.

#### RECONCILIATION

Mr. HAYAKAWA. Mr. President, reconciliation is a process which enables, which indeed forces Congress to bring the programs of the Federal Government, which it continually authorizes, into accord with the budgetary expectations and limits which it establishes for itself. This process is particularly advantageous because changes in authorizations can be achieved in a very short time, without invading the jurisdictional responsibility of the congressional authorizing committees.

The reconciliation resolution which this body will soon debate is essential to the economic future of this country. President Reagan has recommended an ambitious list of program reductions, totaling \$82.3 billion through fiscal year 1983. The Budget Committee in its turn has reviewed the recommendations and has incorporated its own proposals to achieve spending reductions of \$87 billion over the next 3 years. If we are to turn the corner in Federal spending and begin to get control of the economy, decisive action on this resolution is mandatory.

Mr. President, there seems to be no escaping this matter of the budget resolution for this reason: The Budget Committee is charged with the responsibility of establishing aggregate spending levels for the Federal Government and relating those levels to anticipated revenues. This responsibility requires, not an arbitrary determination, but a careful review of the ongoing processes and programs with an eye toward reducing expenditures, on the one hand, in particular

areas, and it is incumbent upon the committee, therefore, to advise the Senate of its recommendations for changes in specific programs, to achieve the goal of aggregate reductions in outlays.

I feel that the committee has done an admirable job in reviewing the President's specific recommendations and offering additional suggestions for spending reductions. The resolution's totals will provide sufficiently reduced Government intervention to allow a reversal of the downward economic trend. The requests for legislative action on the part of the authorizing committees will provide the impetus to make the changes necessary to meet the budget goals. And the committee recommendations for specific program reductions will provide a valuable guideline for the authorizing committees to follow on in responding to the resolution.

Let me give an example. In the Agriculture Committee, we have been working for some time on proposals to eliminate fraud, abuse, and waste in the food stamp program.

I like to talk about my grocer friend in Sebastopol, Calif., who is sick and tired of selling Perrier water with food stamps.

Both the President and the Budget Committee have offered constructive solutions to the dilemma of providing benefits only to those who truly need them.

And both the President and the Budget Committee have the moral support of the vast majority of the Nation in restricting benefits only to those who truly need them because those who do not truly need them and nevertheless take advantage of this program are essentially acting as parasites toward the rest of society.

As a member of the Agriculture Committee, I appreciate having the benefit of the suggestions. I shall carefully consider them, as we construct our legislative proposal in response to this resolution. While we may not exactly follow the specific program reductions recommended—I am looking into ways of achieving greater savings in some areas—the aggregate request contained in the resolution will force us to take action on this important matter.

Similarly, the Budget Committee's recommendations for reductions in the area of foreign aid have been carefully devised. The Foreign Relations Committee has begun extensive hearings on both the foreign assistance authorization and the State Department authorization. In light of a reordering of national and international priorities by the Reagan administration, the opportunity for program change is excellent.

But as we all realize, international relations are frequently struck with changes of the relations of one country to another. Some regimes that are friendly to us suddenly become hostile and those that are hostile become friendly. It is not possible from moment to moment to predict who our friends are going to be and who our opponents are going to be.

Therefore, I have learned, during my service on the Foreign Relations Committee, the importance of facilitating a prompt response from the United States to a changing international environment. Often this requires appropriate economic assistance especially to nations struggling to become free to get their house in order, after they have established a peaceable and authoritative government that knows how to handle things. In many cases, the administration is able to reprogram funds in order to meet these good-faith commitments. I feel the request for aggregate authorization reductions from the Budget Committee provides the Foreign Relations Committee with adequate flexibility in responding to both the economic and international situations. The fluidity of international situations requires a kind of flexibility such as the Budget Committee has provided for the Foreign Relations Committee.

I will, therefore, support this resolution, because it demands action on the part of the authorizing committees without dictating particular program modifications which fall within their respective jurisdictions. Congress has received a mandate for change from the electorate. As Members of the Senate, we must echo that mandate by resolving to expeditiously legislate that change. This resolution provides us with that opportunity; I urge my colleagues to join me in supporting its passage.

I have just come from a meeting of constituents from California, and the question frequently asked by the people who were there—it was a meeting of about 20 or 25 Californians, who kept asking—does the President really mean it? Does the present budget, does the present economic budget, really mean a change in the direction of the economy?

I myself said it really does mean a change. For 4 years, ever since I took office here in 1977, I have been waiting for that change. I have been voting in favor of measures that go in the direction of this change, and the victory of President Reagan in the November election and the victory of so many Republicans in the Senate races, and the general tone of the entire country since the elections of last November, indicate not only that there is a change but that the vast majority of people are welcoming that change.

Therefore, if we back this reconciliation resolution, if we live up to its terms, if we keep within the limits it establishes in the direction of savings, budget cuts, prudence in our international commitments, improvements in the food stamp program and other agricultural programs, if all these begin to happen then within a year or so we shall really realize in our practical daily economic lives the fact that the Nation has made a turnaround.

Mr. President, I look forward very, very much to that turnaround, and I pledge myself to fully support the President in achieving this change of direction which we so very, very badly need in the economic affairs of this Nation.

I thank the Chair.

The PRESIDING OFFICER. The Senator from Wyoming.

#### SENATE CONCURRENT RESOLUTION 9, BUDGET RECONCILIATION

Mr. WALLOP. Mr. President, I compliment the Senator from California on his statement and the support he has offered. I think it will be a reflection of support that will be bipartisan before this process is over because the public clearly anticipates major reductions in the Federal role, and in the Federal deficits.

I think there is an absolute verity in all of this which is difficult, perhaps, for the press to understand, and it is difficult, perhaps, for the public to understand from time to time, but it is that you cannot cut the budget without cutting the budget. It is an absolute truth that we cannot avoid, and there are going to be cuts straight across that will cause difficulty for people who have come to graze in the Federal trough without viewing the consequences to the secure nature of the country as a whole.

I offer my congratulations to the Senate Budget Committee and to the Senators from New Mexico and South Carolina for the rapid disposition of President Reagan's budget proposal.

The Nation now faces a catastrophic situation with high inflation, high interest rates, high unemployment, high taxes, and high unpredictability in the whole economic scene. Thousands upon thousands of businesses across the country are on the brink of collapse. Our competitive position abroad is in serious straits, and our competitive position in this country with foreign businesses is in serious straits.

The Federal Government bears a heavy responsibility for these economic problems. For years we have been spending as if there was no tomorrow. In January we woke up to find that tomorrow had dawned. Federal spending increased 75 percent in 4 years. Even with President Carter's proposal for the largest revenue increase in America's history, deficits continue to grow. In the 12-month period from the first announcement of the 1981 budget the estimated deficit jumped from \$16 to \$55 billion.

Our mortgaging our future has cost us dearly. The yearly payments on the public debt are \$106 billion, larger than the entire Federal budget in 1962, just to service the debt of self-interest.

Unrestrained Federal spending weighs heavily on the economy. High taxes discourage work effort, and they discourage capital from flowing into the marketplace. Deficits cause Government competition in the financial markets and pressure for growth in the money supply, and the consequent inflationary effects of that activity.

The Government burden on the economy is now at a peacetime high, and we are spending a full 23 percent of our gross national product in nonproductive Government spending.

This percentage only measures the burden of Federal expenditures recorded



in the budget. Off-budget spending has mushroomed in the seventies as has the proliferation of unnecessary Government regulations. These shackle business and add unknown costs to the products produced by American manufacturers, and they reduce our competitive position abroad, reduce our competitive position at home, and increase the burdens of inflation on the consumers and taxpayers of America.

I urge the Senate and the Congress to move rapidly to adopt the reconciliation measure to demonstrate to the country that we can make the hard decisions necessary to make the Government and the economy work.

Some of the President's proposals I question. Some hurt my State. Some will be modified. President Carter worked 22 months in preparing his budget. President Reagan had but 6 weeks to prepare his, and while we may argue about the details and the components, keep the goal in mind. The budget must be reduced by \$52 billion to meet 1982 reduction targets. Anything less will not be adequate, and it postpones the inevitable recovery within our economy.

President Reagan's program for economic recovery does not suggest decreasing total Federal spending, only holding back the rate of increase to 6 percent. The budget for 1982 will be greater than this year, and 1983 will be greater than in 1982. The deficit will not be eliminated this year and, perhaps, not in 1984, certainly not before then, and then only by finding billions of dollars in additional program reductions.

We must move quickly to put in place proposed savings this year and carry them on to the outyears. Delay will but cause further pain in the future, threatening the very fabric of the society of democracy which we all profess to prefer.

A country cannot sustain the level of inflation that we have and maintain the institutions of democracy. The pressures will be far too great to sacrifice everything to any central authority to achieve some measure of security for a period of time in the history of this country.

The proposed spending reductions in this budget are only the first step in restoring some vitality to this economy. Substantial tax cuts are necessary for increasing the incentives to work, to save, to invest, and for decreasing the excise effect that the present tax structure has on the American economy. Our taxes are now so high that they are becoming a contemplated part of the request for compensation, the request for wage settlements, and salary settlements, of the request to operate within the economy, and certainly they are part and parcel of the pricing mechanism that is drawing inflation behind it.

If anybody doubts that taxes in this country are adding to this inflation, they are dreaming in clouds that do not have anything to do with the reality of the American economy as it exists today.

Our citizens must be allowed to escape from the treadmill of the ever-increasing tax rates brought upon them by the profligacy of a Congress that will not come to grips with the spending habits of two or three decades.

Businesses must replace obsolete equipment in America and create new jobs through liberalized depreciation schedules. Without lessening the tax burden, spending reductions will only be partially effective in unfettering this economy.

Spending and tax reductions, along with the elimination of unnecessary regulation, will start to take decisionmaking out of Washington and put it back where it should be, with the ingenuity of American citizens, American business, American citizen-politicians in the cities and States of this country.

The program does not abandon the poor and truly needy. It will help to free them from the crush of inflation and the lack of jobs that hurts them worse than anything. It allows States and cities to design programs that work best for the needs of their citizens without supporting a heavy layer of Federal rulemakers and a heavy layer of Federal administrative requirements which do nothing more than provide employment for those who would not seek it and could obtain it elsewhere.

The citizens of our country said overwhelmingly in November that they were indeed ready for a change. The President has responded with a package that will do the job, and it is a package promised in the campaign. The Budget Committee voted 20 to 0 to report this package of spending cuts. Now is the time for the Senate to demonstrate that it can quickly make the hard decisions required to put Government on a sound financial basis and to revitalize the economy.

There remains one impediment to economic recovery in this country. There is the President, who is willing to make the hard choices required. There is a country which expressed its desire to have these hard choices laid on the table before them. They want and expect an economic program that will lead to the lessening of effects of inflation and to the revitalization of the American economy. In between them lies a Congress devoted to its special interests, devoted, indeed, to all manner of self-serving, self-perpetuating terms in the Congress that are purchased with the taxpayers' money.

On one side, you have a public ready and willing. On the other side, you have a President seeking to lead. In the middle, is there or is there not an impediment of an unwilling and uncourageous Congress? It may well be the case. And if it is, the country has not been served by a political process that leads to that.

To make these decisions is important to the country. To fail to make these decisions is to choose double digit inflation, to choose interest rates that deny the access to homes for young Americans or the access to colleges for young Americans or the access to the business world for Americans of any kind, to the commerce of this country, and to the purchasing power of their own wages. To choose that is wrong and to choose that is 8 percent unemployment which rises higher and higher and higher as the economy declines.

The very fabric of democracy will not—cannot—survive these strains. We must and we will survive, but only on the basis

of some political courage and not "business as usual" in the halls of Congress.

Mr. President, I yield the floor.

The PRESIDING OFFICER. The Senator from Alaska is recognized.

#### SENATOR MURKOWSKI SUPPORTS REAGAN BUDGET CUTS BUT DISAGREES WITH BUDGET COMMITTEE'S DECISION TO CUT FUNDING FOR THE STRATEGIC PETROLEUM RESERVE

Mr. MURKOWSKI. Mr. President, Senate Concurrent Resolution 9, of which I am an original cosponsor, is the first and necessary step for Congress to implement President Reagan's budget reduction plan—a plan which I wholeheartedly support. I commend the Senate Budget Committee and all other Senate committees which have been making the tough decisions over the last several weeks to bring Federal spending under control.

There has been and will continue to be much debate about the causes of inflation and the proper cure for the problem. However, there is no doubt in this Senator's mind that the habit of excessive, deficit spending by the Federal Government is a principal cause for the crippling, debilitating inflation from which all Americans now suffer. Throughout our recent history, Congress has been a guilty partner with the executive branch in being unable to curb its spending appetite. In recent years, Federal spending has increased nearly 14 percent annually.

We are now at a crucial juncture. This Congress can begin to prove to the American people that we are indeed serious about cutting excessive Federal spending and restoring fiscal sanity to the Federal Government. Adoption of the Senate Budget Committee's reconciliation resolution will provide for an outlay reduction of \$2.9 billion and budget authority reduction of \$14.7 billion for this fiscal year. In fiscal year 1982, it will reduce budget outlays by \$36.4 billion and budget authority by \$52.1 billion; in fiscal year 1983 there will be an outlay reduction of \$47.7 billion and a budget authority reduction of \$59 billion. Over these 3 fiscal years, a total savings of \$87 billion in outlays and \$125 billion in budget authority can be realized.

The process in which we are engaged presently—consideration and adoption of a reconciliation resolution—is clearly provided for by section 310 of the Budget Act of 1974. This reconciliation process allows Congress to instruct its committees to change already-enacted laws in order to reduce spending by specified amounts during the fiscal years addressed by the reconciliation instruction.

Mr. President, over the last several weeks, each authorizing committee of the Senate, as well as the Senate Budget Committee, has been engaged in the difficult process of reviewing existing programs with the view toward reducing the level of Federal spending. Sometimes—where waste and duplication is evident—decision to reduce or eliminate funding has been easy. But, more often than not, a strong argument has been made in each

of our committees to continue and even increase funding for programs that may well indeed be beneficial to one group or more of Americans and to one or more regions of our country. This has made some of the decisions to reduce funding very difficult—though not any less necessary—if we are to bring inflation under control.

Mr. President, I am new to the Senate, and, of course, to the congressional budget process. Nevertheless, I have already had to come to terms with one of the very real problems in this process—that is, the ability of authorizing committees to maintain effective authority over authorizing legislation for which they are responsible under the rules of the Senate, while at the same time the Congress proceeds to make necessary spending reductions pursuant to the Budget Act.

The reconciliation process was not intended to be used nor should it be used to replace the authority of authorizing committees over programs and policies within their respective jurisdictions. The Budget Committee's own report on the pending concurrent resolution states—

The process also allows the individual committees to keep their autonomy and to exercise their full judgment on the laws to be changed and on the changes that should occur.

The Senate Budget Committee's reconciliation instruction directs the Senate Energy Committee, of which I am a member, to modify programs within its jurisdiction sufficient to achieve savings in budget authority of \$3,714,000,000 and budget outlays of \$3,404,000,000 in fiscal year 1982.

The Budget Committee's report on page 82 reads, in part—

In arriving at this recommendation, the Committee's working assumptions were the levels for reduction by the President except for the reduction of payments in lieu of taxes, and except that the Committee assumed that additional savings beyond those proposed by the President could be achieved by implementation of an alternative financing mechanism for the strategic petroleum reserve.

On page 83, the committee's report continues—

Although this list of savings is not binding on committees that receive reconciliation instructions, cuts of this magnitude in programs of this kind will be necessary if the reconciliation instructions and the totals in the Resolution are to be achieved.

Mr. President, the total proposed fiscal year 1982 budget authority for programs within the jurisdiction of the Senate Energy Committee in President Reagan's budget proposal is \$21,960,780,000. This budget proposal included \$3.8 billion in budget authority for the strategic petroleum reserve. The Budget Committee's instructions to the Energy Committee to make savings of \$3,714,000,000 in fiscal year 1982 budget authority in these programs, read against the Budget Committee's suggested list of savings make it absolutely clear that there is no other practicable way to achieve these savings without a drastic reduction in funding for the strategic petroleum reserve.

The Energy Committee does not, in

fact, have a real choice if it is to honor the savings target embodied in the pending reconciliation resolution. It must cut budget authority by \$3 billion from what President Reagan has recommended for this important program. The Budget Committee's own report acknowledges that funding for the strategic petroleum reserve must be drastically cut to meet its targeted savings. It explicitly assumes a new plan to finance the reserve, without any assurance whatsoever that any such plan can be adopted in the next few months.

While I believe that the Congress should develop an alternative means of financing the strategic petroleum reserve, I do not believe it is wise to eliminate funding for this important program until Congress can indeed agree upon an effective alternative. If the Senate were to adopt the Budget Committee's recommendation to eliminate funding for purchases for the strategic petroleum reserve in fiscal year 1982, the Congress would have just a few months to develop, consider, and enact an alternative financing plan.

Mr. President, what would happen if we cannot agree on an alternate plan in this short period of time? As a newcomer to the Senate, I have already come to realize that the world's greatest deliberative body does indeed take its own good time to deliberate. Would it not be wiser—as the Senate Energy Committee recommended—to keep the funding level recommended by President Reagan for fiscal year 1982 until we enact an effective, alternative financing plan?

Mr. President, this program is of vital importance to the national security and economic well-being of the United States. It was established by Congress in 1975, after the first oil embargo, to supply the United States with oil in the case of any future, emergency oil supply disruptions. It is probably the Nation's most important near-term energy program. The oil is stored in salt domes in Louisiana and could be available in case of unexpected supply shortages. It is designed to store ultimately 1 billion barrels of oil. The strategic petroleum reserve has always had strong bipartisan support in the Congress.

In 1977 the Congress approved a plan which established a goal of 500 million barrels of oil in storage by December 25, 1980. Projections are that we will have a total of 180 million barrels by the end of calendar year 1981. Because the previous administration dragged its feet in purchasing oil for the reserve, we now only have 118 million barrels stored in the reserve. The Reagan administration has wisely decided to reemphasize this program and proposed for fiscal year 1982, budget authority of \$3.8 billion. This would allow purchases on an annual average of 230,000 barrels of oil per day for fiscal year 1982.

Mr. President, I support the intention of the Reagan administration and many in Congress to boost defense spending. Indeed, the President has proposed to increase defense spending dramatically in the next several years, beginning in the next fiscal year to a budget authority

level of \$226.3 billion. Unfortunately, Mr. President, much of this increased military strength—as well as our existing military strength—is very vulnerable to oil supply disruptions. If we do not insure the continuation and increased-filling rate of the strategic petroleum reserve, our commitment to increase defense spending may mean very little to the national security.

Last week, in recognition of this fact, the Senate Energy Committee took strong exception to the Budget Committee's proposal to delete funding for the Reserve. The Energy Committee, by a vote of 19 to 1, adopted a resolution which reads in part, as follows:

The Committee on Energy and Natural Resources recommend to the Budget Committee the functional totals for fiscal year 1982 contained in President Reagan's budget within the Committee's jurisdiction (functions set forth in the agenda); and further that the Committee express the sense of the Committee that it will move expeditiously to consider and report an alternative off-budget funding mechanism for the Strategic Petroleum Reserve and, when such alternative mechanism is enacted, it will support an appropriate reduction in authorizations and appropriations for the Strategic Petroleum Reserve . . .

Mr. President, this is the sensible course to follow. To eliminate funding for strategic petroleum reserve, before we have any idea what agreement we may be able to reach as an alternative funding program is foolish and dangerous. Several alternative plans have already been mentioned in the press and in committee discussions.

Some may be workable, but others have already provoked great controversy. I sincerely support the overall effort of the Budget Committee to reduce Federal expenditures. I simply do not believe we can take the risk—and it is a risk—that Congress will be able to put into place an effective, alternative financing plan for the reserve over the next several months.

It is much wiser to adopt the approach recommended by the Senate Energy Committee—to provide budget authority—as recommended by President Reagan—until such time as the Congress enacts an effective alternative for financing this program so important to our national security.

Mr. President, I ask unanimous consent to have printed at this point in the *Record* the full text of the Senate Energy Committee's motion as agreed to.

There being no objection, the motion was ordered to be printed in the *Record*, as follows:

#### MOTION BY MR. MCCLURE

Motion that the Committee on Energy and Natural Resources recommend to the Budget Committee the functional totals for fiscal year 1982 contained in President Reagan's budget within the committee's jurisdiction (functions set forth in the agenda); and further that the committee express the sense of the committee that it will move expeditiously to consider and report an alternative off-budget funding mechanism for the strategic petroleum reserve and, when such alternative mechanism is enacted, it will support an appropriate reduction in authorizations and appropriations for the strategic petroleum reserve;



and additionally that the committee reserves the prerogative to make future program decisions within the aforementioned functional totals.

Mr. MURKOWSKI. I yield to the Senator from Illinois.

The PRESIDING OFFICER (Mr. GRASSLEY). The Chair recognizes the Senator from Illinois.

Mr. DIXON. Mr. President, I thank the Senator from Pennsylvania for kindly yielding me a moment of his time.

#### SAUDI ARMS SALE

Mr. DIXON. Mr. President, I wish to register my disapproval of the Reagan administration's announced intention to stock F-15 fighters sold to the Government of Saudi Arabia with offensive weaponry.

I believe that the President's proposal suffers from several concrete shortcomings, and foremost among them is the failure to extract specific assurance from Saudi Arabia about the security of the State of Israel.

The enhanced offensive power of these aircraft will not only threaten Israel, but I fear it could also trigger another round of the destabilizing arms race in the Persian Gulf, thereby tilting a precarious balance of power away from the interests of the United States.

Mr. President, when Congress approved the sale in 1978, it did so barely, and only with explicit assurances from the Carter administration that advanced equipment would not be attached to the F-15's.

The current proposal seeks to reverse our previous commitment. That is a dangerous repudiation and a dangerous precedent. The administration has not demonstrated that present circumstances demand such action.

Although I believe we should pursue strengthened relations with Saudi Arabia, I am not convinced the present proposal lays the proper groundwork for further stabilization in the Middle East, for continued security for the State of Israel, or for protection of the vital interests of the United States.

The PRESIDING OFFICER. The Chair recognizes the Senator from Pennsylvania.

#### THE PRESIDENT'S ECONOMIC RECOVERY PACKAGE

Mr. SPECTER. Mr. President, I appreciate this opportunity to express my views on the President's economic recovery package.

I believe that President Reagan was very accurate in a statement made at a breakfast a week ago today with the 16 newly elected Republican Senators when he said the economic problems facing this Nation are the worst since 1932 and those posed by the Great Depression.

In my judgment, that accurately characterizes the problems faced by our country today, with runaway inflation threatening the senior citizens who must live on fixed incomes, and threatening all those who face the rising prices at the supermarket or at the gas pump.

We also face an enormous problem in

runaway interest rates which prevent the young marrieds from buying homes, which prevent all of us from buying consumer goods and automobiles, and make it virtually impossible for the businessmen to function, as attested by the fact that large groups which visited my office, realtors, automobile salesmen, businessmen from all walks of life, who pointed out the staggering impact in interest rates of 17 and 18 percent had.

The economic situation confronting our Nation, I think, has called for a bold program, which has been mandated by the American people in the very dramatic election results last November. Now, it is up to the Congress, in cooperation with the administration, to carry forward a legislative program to improve the economic climate. Realizing that, when dealing with the economy, it is extremely difficult, if not impossible, to predict results with any degree of accuracy, in my judgment, President Reagan has adopted a pragmatic, likable, workable, three-point program in seeking, first to cut Federal expenditures; second, reduce taxes; and third, cut regulatory red tape.

As to the issue of governmental regulation, I think there is a wide consensus on the need to reduce such needless regulatory abuses. Billions of dollars were spent each year in the regulatory system. Recognizing that some regulations are necessary, there is wide latitude to cut down the tremendous regulatory maze which is crippling productivity in this country.

With respect to the issue of expenditures, I think that there is also a wide consensus in the United States—certainly, I can report on a wide consensus in Pennsylvania based upon the trips that I have made to Pennsylvania, the people I have talked to who have visited me here, in Washington, and the influx of my mail—that the public recognizes the indispensable imperative of cutting back on governmental expenditures. Within the range of the cutbacks as requested by President Reagan, amounting to almost \$50 billion, I think it is important to note, as Mr. David Stockman has agreed in his position as head of the Office of Management and Budget, that the specific cuts requested by the administration are not sacrosanct and that Congress has a legitimate role to evaluate those cuts. As long as the bottom line is achieved, as Mr. Stockman has put it, the President's program is workable.

Mr. President, while this is not the occasion to dwell upon the differences which some of us may see, and I see particularly, it might be appropriate to note the concerns which come from my State on the issues of mass transit, some of the social programs on nutrition, medicaid, and black lung, and some of the economic development programs from UDAG and from the Appalachian group, which have been very effective in leveraging private investment and in providing jobs for Americans. In Pennsylvania, this is a way which, I think, makes those specific expenditures worthwhile.

In due course, I shall have suggestions as to how some modifications may be made within the proposals advanced by Mr. Stockman, still leaving the bottom

line intact, and, I think, improvements in the judgments which I think Congress must make with some independence on those scores.

In so stating, I underscore my own view that the President's package is necessary. There have to be major budget cuts, based upon the testimony given in the Committee on Appropriations by the economists who have laid down in direct terms that the only way to cut interest rates in the future is to have these governmental reductions in expenditures so that there can be a movement toward balancing of the budget and some effect upon the sky-high interest rates and the spiraling inflation.

While we have yet to see the specifics of the President's tax program, I do believe that it is necessary to stimulate incentives. I do believe that an appropriate tax program giving accelerated depreciation to industry and more incentives to the working man and working woman would contribute substantially to productivity in this country. It is an indispensable part of the road to economic recovery.

Mr. President, I very much appreciate the reservation of these several minutes to express my views on the floor today and for the Record.

The PRESIDING OFFICER. The Chair suggests the absence of a quorum. The clerk will call the roll.

The assistant legislative clerk proceeded to call the roll.

Mr. HUMPHREY. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER (Mr. SIMPSON). Without objection, it is so ordered.

#### THE PRESIDENT'S ECONOMIC RECOVERY PROGRAM

Mr. HUMPHREY. Mr. President, I believe the Senate should, in an unequivocal fashion, support Senate Concurrent Resolution 9. In the last election, the voters reaffirmed their belief in the straightforward precepts of fiscal responsibility and realism in Government. As the duly elected representatives of the American people, it is our responsibility to follow the instructions of the electorate and implement the President's economic recovery program.

The greatest impediment to the well-being of the United States is Congress reluctance to take bold and responsible action during these difficult economic times. I reassure my colleagues that we need not be paralyzed by the political fear that our constituents will object to the daring proposals currently before Congress. The voters want a return to realism. They want policies that promote economic well-being, not programs that take it away. They want their representatives to heed the message of November and reassess the Government's implementation of the principles which have guided past actions.

Before casting their votes last year, millions of Americans asked the question: What have my representatives done in the past decade? The answer mandated change. The national debt has

grown from \$382 billion to a staggering trillion dollars. The annual Federal budget, which had been \$210 billion, has swelled 300 percent, reaching \$629 billion in 1980. As a direct result of this profligacy, our economy is in a shambles. Americans have not prospered from Federal schemes to spend money, rather, by weakening the economy, our well-intended programs have forced greater numbers of our constituents to rely on the Government for help.

Annual inflation, which a decade ago never exceeded 5 percent, today persists above 12 percent. Mortgage money, 10 years ago plentiful, is today scarce and priced beyond the means of the majority of working Americans. The 3,000-percent increase in the food stamp program, the 150-percent increase of income security payments, the 400-percent increase in Federal housing programs, the 200-percent increase in job creation programs are not evidence of Government munificence, rather they are all indications of a vicious never-ending dependency caused by Government programs gone awry.

There is, however, just cause for hope. The American people's clear and continued expression of support for a return to reason is proof that the desire for productive independence has not been extinguished. Daily, I receive a flood of mail overwhelmingly supportive of President Reagan's economic recovery plan. People who have never written to an elected official are writing to me expressing their belief in the President's spending and tax proposals. My mail is a reflection of an adamant, nationwide call for enactment of the entire budget proposal. One constituent has written—

I am an Independent. I did not vote for Reagan, but . . . please support him all the way.

Another, who will feel directly the impact of budget cuts courageously writes:

DEAR SENATOR HUMPHREY: Last night I listened to President Reagan's budget and tax cut proposals very intently, which I support completely.

I am a divorcee with three school age children to solely support. I have a full-time job, and I constantly seek ways to improve my income. At present, I am a recipient of food stamps which help greatly. I don't feel that I abuse this program, but I do know that plenty of people do. I also know that if the budget cut goes through that I stand to lose some or all of this assistance, and I am willing to take this cut if it will help our economy in any way. As it stands now, I am losing a great deal more with inflation where it is.

My hope is that the people of this country will band together and support President Reagan with all their strength and courage. I love my children and would like to be able to show them some kind of positive future.

The American people are in many ways ahead of Congress. They recognize the need to act expeditiously and selflessly on a plan clearly in the Nation's best interest. A plan which is based on sound expenditure, tax, regulatory and monetary policies. In the President's own words:

Our program for economic recovery does not rely upon complex theories or elaborate Government programs. Instead, it recognizes basic economic facts of life and, as hu-

manely as possible, it will move America back toward economic sanity. The principles are easily understood, but it will take determination to apply them. Nevertheless, if inflation and unemployment are to be curtailed, we must act.

First, we must cut the growth of Government spending.

Second, we must cut tax rates so that once again work will be rewarded and savings encouraged.

Third, we must carefully remove the tentacles of excessive Government regulation which are strangling our economy.

Fourth, while recognizing the independence of the institution, we must work with the Federal Reserve Board to develop a monetary policy that will rationally control the money supply.

Fifth, we must move, surely and predictably, toward a balanced budget.

This reconciliation resolution, Senate Concurrent Resolution 9, is precisely what our economy needs and our people demand. It recognizes the need for bold and swift, yet reasoned, action. It guarantees that spending reductions will be shared widely and fairly. No needy person need fear the program nor doubt the intent of its author. Now we can affirm with absolute clarity our desire to represent the best interests of this and future generations.

I urge my fellow Senators to vote for Senate Concurrent Resolution 9 and the principles which it represents.

Mr. President, I believe that President Reagan's program, if Congress has the political courage to pass spending cuts of the magnitude required, is a significant step in the right direction. But it is only the first step.

If we are to halt the movement of our Republic toward the edge of the abyss, we must go far beyond merely questioning the expense of many programs that we have taken unto ourselves. We need to go beyond that and question the philosophical basis of these programs.

It seems to me that if we are to overcome the malaise in our land, we need to address more than just economic matters. To be sure, the restoration of health to the economy will be a great help, but I submit that it is not enough.

We are an unhappy Nation, as President Carter pointed out some months ago, although I disagreed with his diagnosis of the cause. We are an unhappy Nation because we have departed from the purpose, the true purpose, for which our Government was created.

To my way of thinking, the purpose of our Government is the protection of life, liberty, and property. Of course, Jefferson's phrase in the Declaration of Independence is more famous "life, liberty and the pursuit of happiness" but it was also common among his contemporaries to express it as life, liberty, and property.

Indeed, in many State constitutions, that phrase is used. In fact, it appears in our own Constitution, in the 14th amendment, as the famous due process clause, which states that no person shall be deprived of life, liberty, or property without due process of law.

What I am getting to, Mr. President, is the assertion that, among other things, we are not only failing to protect prop-

erty but also directly attacking property in the administration of many programs.

There is absolutely no justification under the Constitution, in my opinion, for grants of any kind, for subsidies of any kind, for low-interest loans of any kind; because, in fact, these things represent an attack upon property.

In order for the Federal Government to pass money around, to issue grants, it must first take that money from the people. To those people from whom money is taken in the form of taxation and who are not on the receiving end of these grant programs and other programs like them, it represents an attack upon property.

So I am saying that if my party, which has now seized the initiative by offering new ideas—and that is what politics is all about, ideas, and not personalities or even parties, except to the extent that parties represent different ideas—if those in the Republican Party are to keep the leadership, we must conceive new ideas to offer to the American people.

This Senator suggests that an idea which, in timely fashion, deserves focus and attention after we restore health to our economy is the true purpose of government—the idea that government is instituted to protect life. Today, we are not fully protecting life; we are acquiescing in the taking of human life, and I am speaking of abortion. We are not protecting liberty; we are acquiescing in the piecemeal destruction of liberty by creating more and more bureaucracy, which gives forth a torrent of regulation, which takes away our liberty. We are not protecting property but attacking property.

If we are to carry out our function of leadership, we must begin to focus on this area.

Mr. President, I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The assistant legislative clerk proceeded to call the roll.

Mr. DENTON. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER. Without objection, it is so ordered.

The Senator from Alabama is recognized.

#### SPENDING CUTS

Mr. DENTON. Mr. President, I wish to make a few remarks apropos of the consideration by the Senate this week of the first part of the President's package of proposals: the spending cuts.

It is said that the effect of these cuts would be to help move America back toward economic sanity. "Sanity" is a strong word. It implies that the state we are in economically is its opposite—insanity.

I do not believe that the word is too strong, because the procedure by which a person spends himself into bankruptcy, into economic ruin, in the presence of facts that he is indeed doing so, can be described as insane.

Our Nation is doing that. In 1960, the Federal Government had a surplus of \$800 million. By 1970, this had become



a deficit of \$13.1 billion. Today's deficit has reached \$68.4 billion.

This Nation not only is spending too much, but also, it is spending too much on the wrong things and not enough on the right things. We are spending too much on programs termed "social," and not enough on national security programs.

The shift of emphasis between these two programs is dramatic. In 1960, the percent of total outlay by this country for defense was 49 percent; for social purposes, 27 percent. Last year, 1980, instead of 49 percent for defense, we were spending 23 percent; for social services, 52 percent instead of 27 percent.

Many in the news media and in academe suggest that this is a humane and compassionate shift. But how can one call it humane and compassionate when, on the one hand, in spending ourselves into bankruptcy we are eliminating the basis from which we can give aid of any kind to people in distress—to the poor, to the handicapped? A bankrupt nation can give nothing for social purposes.

Similarly, if the number one social service which a government is required to provide its people is not provided, then the social services after number one do not count. The number one social service to which I refer is the assurance to the people of the Nation that they can withstand an attack which would result in the loss of the freedoms and economic advantages which we now enjoy.

We do not have that assurance today. We have a Soviet Union which particularly since 1962, after the missile crisis in Cuba, has concentrated even further on defense spending, although the word "defense" is extremely doubtful in their case. They are spending money on strategic missilery—missilry which if leveled against the United States in an actual attack could destroy roughly 50 percent of our population. In response our retaliatory forces could perhaps destroy 5 percent of the Soviet population.

This is a gory consideration, but one worthy of our attention because the Soviets in the period following their revolution in 1917 destroyed in their internal purges—numerically and by percentages of their present population for political purposes and for suppressive purposes—more people than our retaliatory attack could account for.

That is the kind of antagonist which is homing in on us, aiming with those missiles.

We must meet that threat. We must start to shift the imbalance favorably or we are doomed in both senses which I have already mentioned.

It is true that we must judge a wealthy nation by how well it takes care of its poor, but a nation destroyed by nuclear weapons or a nation spent into bankruptcy has no capability whatever for taking care of any poor.

I agree with the preceding speaker, Senator HUMPHREY, when he said the basic cause of all of this is a shift away from the traditional philosophy of this country. We have an identification problem. We are in the process of proving Socrates right when he said a democ-

racy cannot survive because sooner or later too many people will perceive they can get their hands in the till and the elected officials will cater to that perception—end of democracy.

Our social programs from their inception were based on the principle of "love thy neighbor as thyself," a principle stemming from our sense of striving to be "One Nation under God," a national principle which is included in the Old and the New Testaments.

When we reach the point at which we are not being compassionate from that motive of loving neighbor as self but are extending in to the Socratically identified state of demagoguery, appealing to vested interests among the society in a way such as subsidization of laziness or inculcating expectations that are not realistic with respect to what a federal government should provide, then we are threatening ourselves with destruction.

Most basically, I believe we must return to the philosophy of trying to be one Nation under God. I think that philosophy has the economic and strategic answers which the President's package contains.

I believe the people in this country are ready to support the President's package.

I conclude by saying that the package is like a football play. It has a number of elements. As in a football play we have blocking assignments. We cannot just generally decide we are going to go off tackle with a particular reverse play. We have to decide that we are going to do it with detailed assignments to each member of the team. The President's package is like that. It is not just some spending reductions; it is not just spending some more for defense; it is a quantified package and has other elements. It is tax incentives to business and individuals designed to put our economy back into a sane condition. It is regulatory reform. We must pass it as a coherent package.

It will require sacrifice by each segment of our society, and I can speak for the State of Alabama in saying that my tuning in to them in the past year and especially in the past few days has indicated that they are ready to make those sacrifices individually for the common good.

I exhort my colleagues to support the President's package in detail beginning with the first step, the spending cuts, and begin the overall return to honesty, to realism, the return to sanity which they represent.

I thank you, Mr. President.

The PRESIDING OFFICER. The Chair recognizes the Senator from Vermont.

#### BUDGET RECONCILIATION

Mr. STAFFORD. Mr. President, tomorrow the Senate will take up Senate Concurrent Resolution 9, revising the congressional budget for fiscal years 1981, 1982, and 1983. The Senate is proceeding apace in a process we call "reconciliation." Reconciliation is an appropriate means to implement a congressional policy of spending restraint. That we would need to resort to such a process

was anticipated when the landmark Congressional Budget Act of 1974 was drafted. That statute instituted major reforms in the approach Congress would take to Federal spending. Speaking as the chairman of the Senate Committee on Environment and Public Works, I am pleased to participate in the Senate's efforts to carry out the spirit of that law.

On February 18, less than a month after he took the oath of office, President Ronald Reagan proposed to Congress a program for economic recovery. His plan is based on sound expenditure, tax, regulatory, and monetary policies. His objective is to reverse the debilitating inflation and stagnating productivity that has afflicted our economy for more than a dozen years. The reconciliation instruction to standing committees contained in Senate Concurrent Resolution 9 begins to carry out the spending restraint policy contained in the President's program. I support this policy, even though it means severely restricting programs which were begun with good intentions and great promise. In some cases it means bringing some of these programs to an end.

The Committee on Environment and Public Works is prepared to take these often difficult steps because we recognize it is the only way to reduce deficits and without increasing the tax burden that discourages productivity.

Last week our committee made its report to the Budget Committee, giving our views on new budget authority and spending restraint for programs in our jurisdiction. I wish to take this opportunity to review our activities for the record.

The circumstances surrounding the development of committee reports this year are extraordinary. Normally, committees are supplied with the President's budget request by the end of January, providing adequate time to conduct a thorough inquiry into the impacts of the administration's budget on programs of concern to the committees. In 1981, the change of administrations was further complicated by President Reagan's major budget reduction initiative required to carry out his economic recovery program announced on February 18.

The President's revised request for fiscal year 1982 was formally transmitted to Congress on March 10. This was accompanied by special messages proposing rescissions and deferrals of budget authority previously enacted by the Congress. As of March 17, the cumulative amount proposed for rescission in fiscal year 1981 is \$12 billion; for deferrals it totals an additional \$8.6 billion. President Reagan's program therefore includes substantial modifications in budget authority in the current fiscal year.

A number of these rescissions and deferrals affects programs within the jurisdiction of the Committee on Environment and Public Works. In addition to developing a recommendation to the Budget Committee for fiscal year 1982, this committee also reviewed the President's proposals for fiscal year 1981 or earlier and included recommendations thereon in this report.

Overall, the committee recommended new budget authority for its programs in fiscal year 1982 identical to that requested by the President. Likewise, for fiscal year 1981 the committee recommends budget authority that, in the aggregate, achieves the reductions proposed by the President. However, the committee did depart from the Reagan administration's proposals in some areas:

First, the Environmental Protection Agency wastewater treatment works construction grants program. The President proposed rescinding previously appropriated funds totaling \$1.7 billion. Of this, \$1 billion reflects appropriations enacted in fiscal year 1981; \$586 million in fiscal year 1980; and \$114 million in fiscal year 1977.

The Committee on Environment and Public Works recommended rescinding \$1.214 billion. The difference of \$486 million reflects the committee's decision to recommend rescinding only \$100 million rather than \$586 million for construction grants appropriated in fiscal year 1980.

Under the Clean Water Act, States normally have 2 years to obligate their allotments to specific projects. Funds appropriated in fiscal year 1980 which remain unobligated at the end of fiscal year 1981 are available for reallocation. The committee determined that a rescission of \$100 million in fiscal year 1980 funds would not be unduly disruptive to the States' construction programs since it represents the current estimate of the unobligated balance that will remain at the end of fiscal year 1981, which, incidentally, is September 30, 1981.

The committee also recommends \$2.4 billion in new budget authority for fiscal year 1982, contingent upon enactment of reforms in the construction grants program that will limit Federal funding responsibility to projects having the greatest water quality benefits. At this time, the Reagan administration provides no funds for fiscal year 1982, but is committed to request \$2.4 billion if reforms are enacted.

Next, in the case of the Water Resources Council and the Office of Water Research and Technology, the committee voted to reject the President's recommended rescissions totaling \$16.8 million in fiscal year 1981 and related proposals to terminate these agencies in fiscal year 1982. Instead, the committee recommended reducing the general construction account of the Corps of Engineers by \$16.8 million in fiscal year 1981. In fiscal year 1982, the committee proposes to provide \$40 million in new budget authority, evenly divided between WRC and OWRT, again to be offset by a \$40 million reduction in the corps' general construction account.

Finally, in fiscal year 1982, the committee voted to increase budget authority associated with Fish and Wildlife Service programs by \$6.4 million, to be offset by reductions in budget authority for the Tennessee Valley Authority and the Nuclear Regulatory Commission.

With these exceptions the committee adopted budget authority levels that matched the President's spending restraint proposals.

Compared with congressional spending authority of \$19.5 billion enacted in fiscal year 1981 for environment and public works programs, this committee recommended savings of \$1.5 billion, 8 percent below current law. Our total recommendation for fiscal year 1982 of \$17.1 billion is \$2.3 billion or 12 percent less than current law and \$4.7 billion or 21.5 percent less than the previous administration's request.

Mr. President, although the committee adopted recommendations that contemplate more spending than the President proposes, we are prepared to reexamine these recommendations in light of the Budget Committee's instruction that more savings be achieved. In any event, I would like to offer my personal commitment to achieve the total spending reduction figures contained in Senate Resolution 9, for the Committee on Environment and Public Works.

Naturally, members of the committee will differ on the details of how these reductions ought to be achieved. That is a necessary part of the process which we will undertake between now and May 31. Nevertheless, I believe the Budget Committee and the Senate can count on the full cooperation of the Committee on Environment and Public Works in achieving the savings in Federal spending that will be necessary to achieve our economic revitalization goals under President Reagan.

Mr. President, I am prepared to yield the floor.

The PRESIDING OFFICER (Mr. BOSCHWITZ). The Senator from Idaho.

#### BUDGET RECONCILIATION RESOLUTION

Mr. SYMMS. Mr. President, today I would like to share with my colleagues some of my thoughts on the budget reconciliation resolution before the Senate this week. This resolution mandating reductions in Federal spending during the remainder of fiscal year 1981 and for 1982 and 1983 is, of course, the first of President Reagan's economic reform proposals that will come before Congress this year. As a member of the Senate Budget Committee—along with the Senator occupying the chair—I was pleased to be able to play an active role in developing the legislation mandating spending cuts for the future.

Mr. President, I hope all Members of this body realize the urgent need for the quick approval of the President's reform proposals in their entirety. The dramatic rise in inflation, interest rates, and fundamental instability in the economy and financial markets during recent years is due, in large part, to the uncontrolled growth in Federal spending, expansion of the Federal debt, and the failure to control the growth in the money supply. These high rates of inflation and interest rates have created a crisis in capital investment, productivity, and American competitiveness in the world.

My constituents in the State of Idaho tell me that homebuilding is at a near standstill; young people find it impossible to obtain home mortgage loans;

small businesses and farmers cannot find money for expansion or, in some cases, to meet operating contingencies that are rapidly becoming emergencies and in many cases are already at the emergency stage for these small businesses. This is because the Federal Government is borrowing so heavily in the capital markets that the private citizen—the farmer, the small businessman, the young couple wanting to buy their first home—is simply being squeezed out of the market. This excessive consumption of available lending capital by the Federal Government has driven interest rates to unprecedented highs.

For the 4 years, 1976–80, Federal spending grew at an average rate in excess of 12 percent per year; in the 1979–80 period this spending growth accelerated to almost 16 percent annually. Inflation rates during the last several years have averaged near 10 percent each year as measured by the Consumer Price Index. At such rates of inflation our currency will lose fully half of its purchasing power in just 7 years. This rapid growth in Federal spending and inflation will result in higher rates of unemployment, lower productivity and increased economic and social chaos if it is not stopped. As Government takes greater and greater portions of the earnings of individual citizens there will be no incentive to work, to save, to invest. In other words, people will see no hope for the future—no way to get ahead in life. As this becomes apparent social decay and degeneracy will result if we do not get on top of this situation now while this window of opportunity presents itself.

Mr. President, I must point out that this rapid rise in Federal spending, debt, and inflation results from the fundamental nature of Government to expand its power combined with the use of the public purse by our political rulers to pacify and control the population. The "tax, spend, and elect" mentality took hold in Washington nearly 50 years ago and has been employed at an accelerated pace by politicians promising a "free lunch" and trying to buy the votes of the people with their tax dollars in an effort to insure reelection. Politicians have acted as if the Government rather than the private sector was the creator of wealth. In reality, however, Government confiscates the wealth of the individual and redistributes it—it is not a source of wealth and production; it is a consumer of wealth and production.

As a result the size and power of the central Government in Washington has grown at an alarming rate during the last 20 years. Program after program has been pyramided one on top of the other in an effort to solve social problems by transferring money from those who earn it to those who do not. The tax policy of the Federal Government for the last 20 years, really the last 50, but especially the last 20, has been used as a vehicle for socioeconomic change rather than to simply raise the revenue necessary for legitimate functions of Government.

The taxing and regulatory power of the Federal Government has not only been used to support the ever growing bureaucracy but to restrain individual



enterprise saving and investment. The average wage earning family of four has seen their taxes triple in the last decade. Today, taxes—not food, shelter, clothing, education, entertainment, or savings—but taxes are the largest single item in the budget of a typical working family of four.

We have run up a budget deficit of \$500 billion in the last few years alone, and the result is inflation that is wrecking this Nation's economy, destroying businesses and job opportunities which is literally causing whole regions of this country to wither and die on the vine. For years we have been eating our seed corn in an economic sense rather than investing in next years crop.

It is for these reasons, Mr. President, that the Congress must approve the Reagan tax package as well as make these spending cuts in the budget resolution. President Reagan is proposing changes in the tax policies to encourage work, savings, and capital investment. He is proposing, and I support, across-the-board reductions in income tax rates of 10 percent per year for the next 3 years. We must immediately lower to a maximum of 19 percent, as President Reagan has proposed, the portion of the gross national product that is consumed by taxes.

It is nearly up to 25 percent today and it must be brought back in line so that there is more money left in the hands of the individual Americans to provide for new enterprise, for new entrepreneurial activity, for new sound economic growth which will lead this country and sustain it so that all Americans will be able to participate in the economic system.

There have been some that have argued that the Reagan economic proposals will turn the clock back 20, 30, or even 40 years, that years and years of "social progress" will be eliminated. But, such arguments are simply not credible if we examine these proposals, and specifically the budget resolution before the Senate this week. We are not eliminating needed programs. We are simply restraining the rate of growth of some of the Federal programs and we are thinning down some of the programs that are too fat. We are targeting them, we are consolidating them, and we are trying to make them more efficient.

More importantly, however, is that President Reagan is proposing systemic changes in many areas. Many of the categorical-grant social programs that have built huge consumptive bureaucracies are being replaced with block grants to the States so that they can administer the programs with greater latitude and at lower cost. Making these systemic changes is most important for the long run because, if the bureaucratic structure is left in place, budget cuts this year or next year will be only temporary.

President Reagan said once on the campaign trail that the only thing that has eternal life on this Earth is a Government agency. That has been more and more true as the years have gone by. I think this is the reason why it is so essential that this budget resolution as

reported by the committee pass as the first step toward a reduction in Government and less Government intervention in the daily activities of the American people. Furthermore, it is important for Congress to demonstrate that it is going to back the President so as to lower the inflationary expectations and restore confidence in our economic future.

Obviously, all of us are not going to agree with every detail of the budget proposals. I, myself, have areas in which I would have made different recommendations. For example, I would have made fewer reductions in what I refer to as resource capital investment; namely, water projects, supports for basic science R. & D., the highway program, and other programs that aid the Western States in coping with the burden of the large Federal land holdings within their borders that lower their revenue base. I did not propose specific amendments to this resolution in the Budget Committee, because I feel that the overriding interest of the people of Idaho and the Nation must be to get the President's economic package moving and passed in its entirety as quickly as possible. However, I have proposed in the committee report that a fair share of Federal funds be distributed to each of the States. This would not increase the bottom line in the Federal budget, but it would provide a more equitable distribution of funds.

I have recommended that no State receive less than 90 percent of its per capita share of Federal block-grant funds for the areas of health, education, and social services. I would urge the Senate, Mr. President, to adopt the 90 percent capita share approach. This should not only benefit my State of Idaho but would also benefit some of the States in the Midwest region that are having economic difficulties.

In closing, Mr. President, I would like to say to the Members of this body where I think we should go and where I think the majority of Americans want to go. That is in a direction toward less Government, less spending, lower taxes, a lot less inflation, more creativity in the private sector and greater opportunities for people to define their own lives and make their own way free of Government restraints. The American people are a "can do" people.

Our forefathers struggled against great odds to build on the continent a monument to human freedom. We came from many lands united by our belief in God and our desire for freedom. We now have the opportunity to relegate the errors of the past to the past.

President Reagan is trying to make fundamental changes in the direction of our Nation and our economic policy. He is the first President in over 40 years to offer the American people a real change in the direction of national policy.

A systemic change, if you will. The spending reductions proposed in this budget resolution, Senate Concurrent Resolution 9 is just the first step—not just the first step in improved budgeting, but I am convinced it is the first step in the revitalization of this Nation's

economy that will enable us to preserve our Republic as a free society.

Thank you, Mr. President.

The ACTING PRESIDENT pro tempore. The Chair recognizes the Senator from Minnesota.

#### BUDGET CONTROL

Mr. BOSCHWITZ. Mr. President, I want to join in the remarks of my friend from Idaho, who serves on the Budget Committee with me, and make some remarks of my own.

This morning there have been a series of Senators talking about the budget and President Reagan's economic plan. They mentioned the necessity for getting it under way, and the accomplishments of the Budget Committee during the past week in starting that ball rolling. Indeed, I think those accomplishments were very meaningful.

Mr. President, I have served on the Budget Committee since I entered the Senate 2 years ago. Among my earliest votes in March 1979, just 2 years ago, was on the 1980 budget. That budget was \$532 billion. I looked at the budget and when I compared it to the 1979 budget I noted that it had grown only 7.6 percent. So I wrote a concurring opinion and voted for that budget of \$532 billion.

Since that time, I have grown somewhat more accustomed to the Senate and somewhat more experienced, and I realized that I was not making a fair comparison. Normally the budget resolution that we pass in the spring is only the first in a series of upward revisions to the budget numbers. Because the various agencies of Government come back to us and say that we did not give them enough, we have a second budget resolution and then we have a second budget resolution revised, or a third budget resolution. That is what happened in 1979.

I find in looking back that I was comparing the first budget resolution of 1980 with the second budget resolution, revised, of 1979. If I had compared the first budget resolution of 1980 with the first budget resolution of 1979, the increase indeed would have been, as the Senator from Idaho said, 16 percent.

Now, in 1981, only 2 years later, President Carter left us with another budget, not at \$532 billion, but at \$739 billion. And it is that budget that we are addressing in the Budget Committee and on the Senate floor.

We are not really cutting the budget. As the Senator from Idaho said, we are slowing the rate of increase. President Reagan has said that the rate of increase of the budget should not be faster than the rate of increase of the working people's salary in this Nation. I agree.

In the 2 years that I have served on the Budget Committee, the budget indeed has grown at a rate in excess of 16 percent, compounded annually.

At the same time, President Carter, in 1980, asked working people of this country to restrict their wage increases to about 8 percent a year.

By and large, wage increases did average in that area.

There is no way, Mr. President, that

the Government of this country can grow at a faster rate than the economy, unless the Government takes more from each taxpayer, or unless the Government goes deeper into debt. That is, of course, what has happened.

We take more and more from each taxpayer, and taxpayers ride through the magic of inflation into higher and higher income tax brackets. It is a cycle that must end if we are going to gain control of our economy.

I believe the Senate Budget Committee acted with great responsibility when it voted 20 to 0 to restrict the growth of Government. Some of my friends and colleagues on the Democratic side of the aisle made long and moving speeches about programs that have done much good for this country. In spite of the fact that they voted to continue current spending on these programs in the Budget Committee, nevertheless, when the final vote on the budget came about, 20 members out of 20 on the Budget Committee voted to restrain the growth of the budget. They voted to cut \$36.4 billion from the budget suggested by President Carter prior to his leaving.

If we are to gain control of inflation, Mr. President, there is no question that we must gain control of the budget.

As the distinguished Senator from Idaho said, the borrowers of this Nation are being squeezed out of the lending market. They are being squeezed out of the ability to borrow at decent rates, because the Government is coming in and borrowing 40 percent of the available funds in the banking system of the United States.

The result has been that the Federal Reserve has felt it necessary to expand the money supply at too fast a rate, and, as a result of that, we have a cheapening of the currency, a debasement of the currency. When money becomes cheaper that is, of course, what we call inflation.

If one looks upon the economic growth of this country or of any industrial country in the world, without question you will find that it was done in a non-inflationary environment. A noninflationary environment existed before governments tried to buy their way to prosperity. Unfortunately, governments now have helped to encourage inflation by these policies, and have helped cause the inability of society to control inflation when things got out of hand.

Mr. President, in the fifties and sixties in this country, the average rate of inflation was just over 2 percent. Many people forget how recently inflation at 2 percent was considered the norm in this country. The great growth in this country which brought so much egalitarianism to the people of the United States, was predicated on a low rate of inflation.

As recently as the early seventies inflation was still at a low rate, between 4 and 5 percent. Yet in the early seventies an inflation rate of 4.3 percent was considered so high, so unsatisfactory, so objectionable, that wage and price controls were imposed by the President of the United States.

Certainly today that feeling would

not abound. If we told the people of the United States we were going to restore a 4.3-percent inflation, they would just be overjoyed. But, indeed, we have to do better than that and we can.

The Budget Committee's actions earlier this week are the first step in that direction. The Budget Committee's action to cut \$36.4 billion is a step in the direction of getting the Government out of the borrowing line and stopping the squeezing out of the working people and the businesses of this country in their ability to borrow money from the banks.

The reconciliation process that the Budget Committee adopted is the right process. There were approximately 140 to 150 cuts in the budget suggested by Mr. Stockman and his group at OMB and the President.

If we vote on each one of those individually, unquestionably this body is not going to succeed in making meaningful budget reductions.

But through the reconciliation process, where we package it all together, through one vote and through instructions to various committees to tell them to reduce their spending, I think we will have achieved the desired goal.

So we are on our way. What we do tomorrow, whether or not we carry through the will of the American people as expressed in the 20-to-0 vote in the Budget Committee, will have a great impact on what happens to this Nation in the future.

Without question, my constituents in Minnesota tell me that they are for the President's program. They want it to be fairly applied.

They do not want one segment to be cut more than another segment, nor do they want one segment to profit from the budget cuts that we are bringing about.

I think my people and your people, Mr. President, and the people from the State of Illinois, whose Senator I see sitting here, and the State of Mississippi, whose Senator is sitting here, will also agree with the idea that budget restraint fairly applied is indeed in the interest of the Nation.

Finally, I commend Senator DOMENICI for his leadership in the Budget Committee, Mr. President. He encouraged everyone on the committee to have their say whether it be pro or con. He did not shut off debate on the issues at any time, which I think was important because the issues in the budget are not only large but very complicated. And yet, the resolution was reported out and reported out unanimously for the first time, I believe, in the history of the Budget Committee, which is a good sign of what we have before us.

I congratulate him and I congratulate the other members of the Budget Committee who worked 12 and 14 hours a day to accomplish that end. I hope the full Senate will act in the same spirit of cooperation when we open the debate on the floor tomorrow.

Thank you, Mr. President.

Mr. COCHRAN addressed the Chair.

The ACTING PRESIDENT pro tempore. The Senator from Mississippi.

## PRESIDENT REAGAN'S BUDGET PROPOSALS

Mr. COCHRAN. Mr. President, I am pleased to have this opportunity to speak for a few minutes concerning President Reagan's budget proposals and the reconciliation instructions.

We are scheduled to take up Senate Concurrent Resolution 9 tomorrow. As stated in the Budget Committee report, this is the largest single reduction in Federal spending in history. Over the 3-year period, the resolution calls for total reductions of \$125.8 billion in budget authority and \$87 billion in outlays.

The Budget Committee is to be commended for its efforts and hard work in reporting this unprecedented legislation. Theirs is generally a thankless, but necessary, task; few appreciate the Budget Act, even fewer understand it. I certainly do not claim to be an expert, but with a little patience and study it is at least partially decipherable.

This resolution marks the beginning of our efforts to reverse the growth in Federal spending. Over the last several years Federal spending has been growing at an alarming rate. Despite our efforts to halt this growth, in fiscal years 1980 and 1981, outlays have grown by some \$170 billion. In fiscal year 1981 alone, spending has jumped some \$80 billion, or around 14 percent. Obviously, something must be done to stop this.

The budget process was designed to give Congress an overall approach to restrain spending. It is a self-policing method whereby, hopefully, we can control spending rather than having it control us.

Unfortunately, because of eroding economic conditions—brought on in large part by Government-included problems—the budget process has heretofore not effectively restrained spending. We have had to come back time and time again to revise the budget levels and the deficit for 1981. I hope that Senate Concurrent Resolution 9 marks the last such revision.

Senate Concurrent Resolution 9 is truly unprecedented. Never before has a reconciliation package of such dimensions come before the Congress. Never before have instructions been proposed to require authorizing committees to make reductions in specific authorizations. There has been a great deal of discussion about this procedure and some serious criticism.

But I am afraid that unprecedented actions must be taken, because we are facing an unprecedented challenge. Many people are asking whether we can control Federal spending or whether the Federal Government has so imbedded itself in so many expensive programs that it cannot be extricated.

I intend to support the budget resolution, although I am concerned about some of the specifics, including the implications of the instructions to the authorizing committees. I am optimistic that these concerns will be fully discussed, and that, possibly, solutions in the form of suggested legislative changes to the authority contained in the Budget Act may be considered at a later time.



It is too late for that right now, Mr. President. There may be some who would like to suggest that, on this occasion, the Committee on the Budget has really gotten too big for its britches. I might be one who would be standing here saying that under ordinary circumstances, but, really, at this point, it is my judgment that an attack against the Budget Act, an attack against the Budget Committee, would not be appropriate. We need to stand behind the procedure that has been developed by the Budget Committee and support the recommendations that it is making.

I thank the Chair very much.

#### THE RECONCILIATION RESOLUTION

Mr. GORTON. Mr. President, I am pleased to appear with many of my colleagues today to emphasize the importance to our Nation of Senate Concurrent Resolution 9, the reconciliation resolution. The Senate Budget Committee's prompt and successful attention to reconciliation provides a strong indication that the Congressional Budget Act will work.

It has been a privilege for me to have been involved in such an historic process so early in my tenure in the U.S. Senate.

There is no question that this Congress must act quickly to address the problems which plague our Nation's economy. Our goal must be to adopt a program that will end the dual curses of double-digit inflation and the lack of growth in productivity in our economy. If we fail to address these two conditions immediately and effectively, there is little hope that this Congress will be able to deal effectively with other issues facing our Nation.

Since the beginning of this session, the Budget Committee has been hard at work building the structure for the reconciliation process. The committee has heard from a multitude of economists of differing economic persuasions. Despite their differences in other areas, these economists have been almost unanimous in their view that a first and vital part of the program for turning our Nation's economy around is a substantial reduction in the size and growth rate of Federal spending. The reconciliation resolution constitutes a major but not a final step toward such a reduction.

Senate Concurrent Resolution 9 offers the Congress the opportunity to break quickly and effectively with its past spending practices—practices which have led us inevitably to the economic crisis we now face.

The Budget Committee's task was not an easy one. The committee has had to make many tough decisions in recommending cuts in programs with worthwhile objectives. Our goals cannot be met simply by eliminating fraud, waste, and abuse from the Federal budget. In order to decrease outlays by \$36.4 billion next year, many programs have had to share the burden of reduced spending. It is important to recognize, however, that while individual social programs have been scaled down or eliminated, the overall share of our Federal budget ear-

marked for social services will not be reduced by this resolution.

I am convinced that the economic course which this resolution charts will lead to a better economic future for all Americans, a future in which the war against inflation begins to win battles, and in which a new wave of growth in the productivity of the American economy starts to build. It is appropriate and vital, therefore, that Congress adopt this resolution quickly and enthusiastically.

The ACTING PRESIDENT pro tempore. In my capacity as Senator from the State of Alaska, I suggest the absence of a quorum. The clerk will call the roll.

The legislative clerk proceeded to call the roll.

Mr. PERCY. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER. Without objection, it is ordered.

#### THE BUDGETARY ASPECT OF THE ECONOMIC RECOVERY PROGRAM

Mr. PERCY. Mr. President, I am very pleased to join my colleagues this week to discuss the President's economic program, with particular emphasis on the budget.

Tomorrow, the Senate will take up the reconciliation resolution that will be our first step toward realizing the budget savings recommended by the President earlier this month. The process of making these savings—reconciliation—was originally authorized by the Budget Reform Act of 1974. We have had the option of using it in the past, but have not, until last year. There has been a great deal of discussion about this process and how it affects the operations of Congress.

I look back now at the work we did in the Governmental Affairs Committee in 1973 and 1974. I served then as ranking minority member, and Ed Muskie and I worked in tandem with our chairman, Senator Sam Ervin in creating the Budget Reform Act of 1974. We did not envision at that time how valuable the reconciliation process would become.

However, there is a very good reason for Congress to turn to this reconciliation procedure again this year—namely, the state of the economy.

In today's papers, we are reminded again of the precarious state of the U.S. economy. After a lull in January, the February Consumer Price Index shot up to double-digit levels again. If we thought that the 8.4-percent inflation rate of January was a signal that we were out of the woods, today's economic news serves to remind us that we have not tamed the beast of inflation. It may not be quite as bad as what we were experiencing a year ago—when the winter CPI hit 18 percent—but it is a far cry from the low levels of inflation that this country was used to in the 1950's and early 1960's.

I can well remember, as an industrialist during those years, that beginning in the 1950's, one of the lowest priced photographic products produced by the com-

pany I was affiliated with as CEO was about \$50. Within a period of 1 decade of inflation, in which the rate averaged 1.5 percent for the entire decade, and with a 3- to 4-percent increase in productivity each year in that period of time, the company, at the end of 10 years, was able to market a product for \$39.95. That same camera had sold a decade before for \$50. Moreover, the newer, less expensive camera was better than its predecessor.

Those days, I hope, are not gone forever, when we could live with a decade of 1.5-percent inflation and rising productivity.

We can look back to that era of American productivity, and we can today look at the productivity in the agricultural field and see how productive this Nation really can be. The same procedure and practice we follow in agriculture can be used in other areas of industry today. But we should not lose sight of the fact that we have a long way to go.

We can look back to our earlier accomplishments when we worked industrial miracles. I believe that with the proper incentive program for the future, we can do the same, and economic history can repeat itself.

We should not lose sight of the fact that in those growth years of the 1950's and 1960's, we were able to sustain great yearly advances in the gross national product with only 1- and 2-percent inflation. In short, capital and consumer spending in those years did not—I repeat, did not—fuel inflation.

Moreover, we had an unemployment rate that is by today's standards enviable, although it did not seem so to us at the time. For the post-World War II economy, an unemployment rate of 4 to 5 percent was the norm. In some years, it actually dipped down to 3 percent. A look back reveals that until the mid-seventies, unemployment only cracked the 6-percent barrier twice, in the recession years of 1958 and 1961. Since the mid-seventies, unemployment has notched up another degree and the norm seems to have become 7 percent, with the old high, 6 percent, at the bottom range.

Mr. President, we are confronted here with two seemingly intractable problems that have developed in the past decade. The state of the economy is not good and it is for that reason that we are embarking on an economic recovery program this year.

Past policies have not worked and we must turn to medicine that is a bit stronger. If we can put these policies in place, there seems to be a good chance that inflation will begin to slow and job opportunities will expand. We know that continuation of the old policies of more and more spending will not give us a long-term solution to the economic problems we face. It is because of this promise of an expanding economy that I support the budget reduction program that will soon be before the Senate. It is for these reasons that I joined as a principal cosponsor of the reconciliation instructions resolution.

While the economy has been experiencing rapid inflation over the past dec-

ade and as unemployment has risen, what has been going on with Federal finance?

It, too, has been showing ominous trends, with spending increasing and taxes climbing to ever higher levels. When I first came to the Senate in 1967, the Federal budget stood at \$158 billion. By 1970, just 3 years later, it had climbed by almost \$40 billion, to \$196 billion. During that period, the Federal budget was in deficit, but it also realized the one surplus budget of the past 20 years. During this 3-year period, Government spending increased by less than \$15 billion annually, on the average.

Then, when we hit the 1970's, the budget began to grow like topsy. By 1975, Federal spending had doubled, to \$326 billion. In the past 6 years, the budget has doubled again, to \$662 billion originally estimated for fiscal year 1981. Instead of the \$15 billion a year increases in spending, we now talk about \$80, \$90, and \$100 billion a year increases.

Mr. President, I ask unanimous consent that a table showing Federal outlays and revenues be printed at this point in the RECORD.

There being no objection, the table was ordered to be printed in the RECORD, as follows:

#### FEDERAL BUDGET RECEIPTS AND OUTLAYS

[In millions of dollars]

	Receipts	Outlays	Surplus or deficit (—)
Fiscal year:			
1970	193,743	196,588	-2,845
1971	188,392	211,425	-23,033
1972	208,649	232,021	-23,373
1973	232,225	247,074	-14,849
1974	264,932	269,620	-4,688
1975	280,997	326,151	-45,154
1976	300,005	366,418	-66,413
Transition quarter			
1977	81,773	94,728	-12,956
1978	357,762	402,710	-44,948
1979	401,997	450,804	-48,807
1980	465,940	493,635	-27,694
1981 <sup>1</sup>	520,050	579,613	-59,563
1981 <sup>1</sup>	607,525	662,740	-55,215

<sup>1</sup> Estimate.

Source: Economic Report of the President, January 1981.

Mr. PERCY. Mr. President, as Federal spending has been rising in real terms, so has it also been increasing in terms of gross national product. This is an alternate way to express the role the Federal Government plays in the economy and may be the best way to show the importance of slowing the spending juggernaut.

During the 1950's and 1960's, Federal spending tended to stick to the range of 18 to 19 percent of GNP. Again during the mid-1970's, we seem to have reached a new plateau in the low 20-percent range.

Mr. President, I ask unanimous consent that a chart from President Reagan's economic recovery program be printed in the RECORD at this point.

The chart points out the extent to which the Federal Government has assumed a larger and larger share of the economy—from 18.7 percent for the period 1955-64 to a rate of 22.3 percent during 1979 to 1981.

There being no objection, the chart

was ordered to be printed in the RECORD, as follows:

#### GROWTH IN FEDERAL SPENDING

	1955-64	1976-81	1979-81
Annual rate of growth (percent):			
National defense	2.9	11.9	17.0
Nondefense	9.9	12.0	15.5
Total	6.3	11.9	15.9
Average outlay share of GNP:			
National defense	9.4	5.3	5.3
Nondefense	9.3	16.8	17.0
Total	18.7	22.1	22.3

Mr. PERCY. Mr. President, it is necessary for us to begin to slow this pace of spending. It is not enough to try to balance the budget if doing so is done at a higher tax rate. That would be a counterproductive balanced budget, for it would choke off the economic incentives we want to put back into the economy. Going hand in hand with our effort to reach a balanced budget must be a committed effort to reduce the percent of the gross national product taken up by Government.

I am pleased that the Reagan budget proposals and the reconciliation instructions move us simultaneously in this direction.

For the first time in many years, the budget proposed to Congress by the President—President Reagan's budget submitted just 3 weeks ago—forecasts a rate of Federal spending under the rate of inflation. Previous budgets proposed to Congress have led the inflation rate or at least always equalled it. Now we have a budget that says it is time for us to tighten our belts now for improvement in the long run.

There is no better way to drive this point home than to compare the Reagan budget revisions with the Carter budget submitted just before he left office. The Carter 1982 budget would have sanctioned increased spending at a 12-percent clip, just about even with the inflation rate forecast for 1982. President Reagan's budget has come to grips with this and cuts the rate of increase in half—to 6 percent.

Mr. President, in concluding, I should like to tell my colleagues that the need for this program is very clearly evident in my home State of Illinois. The rates of inflation and unemployment that I mentioned at the beginning of my remarks are national averages. Some States have higher rates; others have lower rates. Illinois is one of those States that is experiencing both higher inflation and higher unemployment. Chicago, for example, experienced consumer price inflation last year of 14 percent, compared with a national average of about 12½ percent. In the jobless rate, it is much the same: February unemployment in Illinois had come down to 8.3 percent. For the same month, nationwide unemployment was still lower, at 7.3 percent.

So the economic problems are very real at home, and the people of Illinois want action to end this stagflation of

high prices, high unemployment, and sluggish growth.

This economic recovery program responds to that need. It is often said that a rising tide raises all boats. So it is with an improving economy. We will all benefit from lower inflation and a healthier economy. Perhaps those who stand most to gain from this program are the elderly—whose fixed incomes make it difficult to cope with rising prices—and the poor—who have neither job opportunities nor the means to pay higher prices. They are the real victims of this sluggish economy, and it is time we did more than conduct business as usual that will simply perpetuate their condition.

I commend my good friend and colleague, the chairman of the Senate Budget Committee. This is his first year in this important position. Moving this reconciliation process forward would be a challenge for even the most seasoned committee chairman. I have great confidence in his abilities and congratulate him on bringing this resolution to the floor in such an expeditious manner.

I also commend the ranking minority member, the former chairman of the committee, Senator HOLLINGS. He has been totally bipartisan. I believe that all members of the Budget Committee proved their fiscal responsibility, their dedication to a common cause, and their dedication to making this program work, by unanimously voting—minority and majority members together—to report this budget to the floor of the Senate.

Mr. President, I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The bill clerk proceeded to call the roll.

Mr. ANDREWS. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER. Without objection, it is so ordered.

#### THE PRESIDENT'S ECONOMIC PACKAGE

Mr. ANDREWS. Mr. President, I join my colleagues today in support of the economic package proposed by the Reagan administration.

My support reflects the sentiment of an overwhelming number of North Dakotans who have written or called to express their support of administration proposals. However, I would certainly be less than candid if I suggested there is no opposition. In fact, I occasionally find myself with reservations about specific aspects of a few administration recommendations.

Nevertheless, the job of Congress is to fine-tune those programs so they provide the most efficient and economical utilization of the funds we appropriate for essential Government services.

There are those who suggest the administration is rolling back social programs 20, 30, or 40 years. That is simply not true.

No Member of this Congress would deprive the needy of food, clothing, and



shelter. No Member of this Congress or this administration can or will ignore those truly in need. In fact, administration proposals to reduce Federal spending, Federal regulation, and Federal taxes are designed to improve services to that element of society most in need by eliminating those who do not really need Federal assistance, thus leaving more help for those who do.

As the President has warned, it took some 40 years to get our economy in its present deplorable state, and it cannot be reversed in a matter of weeks or months. But I find the people are patient, too, if there is a good reason to anticipate improvements, and if they feel we are moving at last in the right direction.

At a meeting of farm editors yesterday, in this very building, editors from all corners of the Nation confirmed what most of us know—farmers are willing to take their bumps along with all other segments of society. The majority of farmers are confident there will be an improvement in their economic condition in the long run. No one suffers more from inflation than the producers of the food and fiber we need so much for our own consumers and to supply a hungry world abroad. They have no qualms about putting the good of the Nation above temporary personal gain, but they do not want to bear more of the burden than other segments of our economy. We must all share this attitude, and I am convinced that Americans, generally, are willing to sacrifice to get our country back on the right track. They know it will not be easy and it will require some adjustments, but for the overall, long-term good, they are willing to cooperate.

It has been so long since an administration proposed anything but additional expenditures that many of the big spenders are in shock. These skeptics have a greater fear of the unknown than they do of what they know and can see has devastated our economic system.

I am firmly convinced it is time we try something else. Many of us think it will work and that it deserves a fair chance. We can help the administration as it seeks that opportunity to put its program to work.

The skeptics, frankly, can perhaps take consolation in what Abraham Lincoln said just over 100 years ago:

While the people retain their virtue and vigilance, no administration, by any extreme of wickedness or folly, can very seriously injure the government in the short space of four years.

Maybe even in the short space of 4 years we can turn this thing around and get our Nation back on track again. That, after all, is the goal of the Reagan economic proposals.

Mr. President, I suggest the absence of a quorum.

**THE PRESIDING OFFICER.** Before the clerk calls the roll, will the Senator withhold?

Mr. ANDREWS. Yes, I withhold.

**THE PRESIDING OFFICER.** The Senator from South Dakota.

#### THE PRESIDENT'S ECONOMIC PROGRAM

Mr. ABDNOR. Mr. President, President Reagan's economic program aims to

bring to all Americans the opportunity for prosperity through stable and sustained economic growth.

The program consists of four broad, interrelated parts: First, immediate, substantial, and continuing reductions in the growth of Federal expenditures; second, reductions in tax rates over the next 3 years; third, elimination of unnecessary Federal regulation; and fourth, a steady and predictable monetary policy.

In place of piecemeal, stop-and-go policymaking, the President's reform measures offer a coordinated package for encouraging private sector economic initiative. This initiative is the fundamental source of economic motivation and growth. A fostering of individual initiative demands a coordinated reordering of economic priorities. In order to overcome the effects of inflation and Government spending, we must have sound economic policies. Policies that will stop rewarding present consumption over investment for the future; policies that will no longer favor the nonproducer over the producer; and policies that will stop emphasizing redistribution over the creation of income and wealth.

Mr. President, consider the consequences of passing a part of the economic program without the other parts as well. Some have suggested that not reducing personal income tax rates would lead to a balanced budget more quickly. Such a suggestion is mistaken because unless tax rates are reduced according to a consistent schedule, there will be little incentive for additional investment in the private sector. Low investment means fewer jobs and more people dependent upon Federal transfer programs. The President's program, however, aims at economic growth which will provide jobs and remove the need for Federal supports.

The economy has been seriously abused in recent years and fundamental changes in monetary fiscal and regulating policies are necessary.

A slow, steady predictable monetary policy set by the independent Federal Reserve is indispensable to controlling inflation. A proper monetary policy focuses on the long run and tailors money growth so that it is, in the words of the Federal Reserve Reform Act of 1977, "commensurate with the economy's longrun potential to increase production."

Money growth had accelerated above the guideline in the decade before 1975 and it has accelerated even more from 1975 to 1980. In conjunction with this extreme growth of the money supply, the United States has experienced rising inflation, volatile interest rates, lower real GNP growth, reduced productivity increases, generally higher unemployment, and growing use of resources to cope with inflation rather than to improve living standards.

Some would argue that we should wait until inflation ends before reducing money growth. Our experience shows that if we do wait, inflation will not subside. The President has proposed meaningful, yet not drastic, deceleration of money growth, a proper fiscal policy, and regulatory reform. Taken together, these measures will spur economic growth and reduce inflation.

In the area of fiscal policy, growth in the size of Government as a proportion of the economy must be reduced in terms of both revenues and expenditures.

Fiscal policy in recent years has been perverse. The tax burden on working people and businesses has become oppressive. Inflation-induced "bracket-creep" has reduced the real returns, on an after tax basis, of saving and investment, personal effort and risk-taking.

For example, a married person, filing a joint return with \$16,000 taxable income in 1967, and the same real, inflation-adjusted income in 1980—about \$36,000—was taxed at the margin by the Federal Government at 28 percent in 1967 and 43 percent in 1980. Mr. President, the key factor is that these people in 1980 are not able to continue living at their 1967 level, for they are being taxed at a much higher rate.

This increasing tax burden has transferred real resources to the Federal Government and away from the private sector. In addition, depreciation allowances based upon historical rather than current costs have understated expenses and overstated profits, resulting in a rising tax burden for everyone and a further transfer of command over resources to the Government. No one feels this more than the farmer and the small businessman.

The transfer of control over resources has been aggravated by Federal activity in the credit markets. Total Federal borrowing—the sum of Federal borrowing and federally-assisted off-budget borrowing—rose from \$24.4 billion in 1974 to \$124.4 billion in 1980. This represents a compound annual growth rate of 31.2 percent.

Mr. President, the key point is that while many loan guarantees have been necessary and may continue to be necessary, still they need to be examined for their effects on the credit market elsewhere. And they need to be examined evenly and fairly if we are to get away from politics as usual. Americans are ready for a change. Let us be sure the change is fair.

What is clear is that tax rates are too high. By discouraging work effort, saving and investment and risk taking, these expenditures impart a consumption-oriented antisaving bias to the economy. This bias is not in accord with faster economic growth.

I am in full accord with the Republican report of the Joint Economic Committee on the 1981 Economic Report of the President. Across-the-board personal marginal income tax reduction, as well as tax cuts for business, will increase productivity and real growth substantially and will not increase inflation.

Without a doubt, tax reductions will stimulate growth. I realize, however, that direct inflationary impacts cannot be precisely calculated.

On the demand side, personal income tax rate cuts will stimulate spending and could thereby add to inflationary pressures. On the supply side, personal marginal tax rate cuts will impel additional work effort and production, and thereby operate to slow the rate of rise of prices.

The question is which of these effects dominates. It is our view that the

supply effect does. In addition, we want to stress that our fiscal policy program calls for spending cuts—which may reduce demand somewhat. These incentives, which are aimed at substantially reducing the marginal tax rate on savings income, will help shift individual activities toward saving and away from consumption. Consequently, we can expect an extra large part of the personal tax cut and the income it generates to be used to increase saving and investment as opposed to consumption.

I am aware that some detractors from the President's program are claiming that across-the-board personal marginal tax cuts are unfair; that they will cut the taxes of the rich too much and the taxes of the poor too little. In fact, they will scale down all tax rates, and the scale is the same for all individuals.

In this regard, it is important to recognize that, since 1967, inflation-induced bracket creep has greatly increased the tax burden of middle- and upper-income persons despite some legislated tax cuts. It would be wrong from the standpoint of equity, as well as counterproductive from the standpoint of the economy, not to correct past bracket creep by scaling marginal tax rates down across the board.

Mr. President, I ask unanimous consent that pertinent data on tax rates be printed in the RECORD.

There being no objection, the tax rates were ordered to be printed in the RECORD, as follows:

TAX RATES ON SAME REAL TAXABLE INCOME,<sup>1</sup> 1967 AND 1980

	1980 equivalent inflation adjusted taxable income	Marginal percent tax rates		Average percent tax rates	
		1967	1980	1967	1980
1967 taxable income:					
\$1,000.....	\$2,245	15	0	14.0	0
\$4,000.....	8,890	19	18	15.5	9.8
\$8,000.....	17,960	22	24	17.3	15.3
\$12,000.....	26,940	25	32	18.8	19.5
\$16,000.....	35,920	28	43	20.4	23.6
\$20,000.....	44,900	32	43	21.9	27.5
\$24,000.....	53,880	36	49	23.2	31.0
\$28,000.....	62,860	39	54	25.4	33.8
\$32,000.....	71,840	42	54	27.1	36.3
\$36,000.....	80,820	45	54	28.7	38.3
\$40,000.....	89,800	48	59	30.4	40.1
\$44,000.....	98,780	50	59	32.0	41.8

<sup>1</sup> For married persons filing joint return.

Note.—Across-the-board marginal tax rate cuts will tend to restore the progressivity of the tax code which existed in 1967 before inflation distorted it.

(Mr. WALLOP assumed the chair.)

Mr. ABDNOR. Mr. President, President Reagan has proposed a wide range of spending cuts to accompany the tax cuts. It should be understood that a stagnating economy allows few significant cuts in Federal spending where that spending is made up largely of entitlement programs.

When the economy stagnates, people become unemployed and real standards of living decline, causing individuals to make claims on Government services. When an individual is employed, he or she is a source of Government revenue; when the person is unemployed, he or she becomes a consumer of Government revenue, through such programs as un-

employment compensation, trade adjustment assistance, food stamps, et cetera. Thus, an increase in unemployment reduces Government revenue even as it causes an increase in spending. It is estimated that a 1 percentage point increase in the national unemployment rate "costs" the Federal Government \$25 billion per year.

The converse also is true. An expanding economy will provide jobs for the unemployed and higher living standards for many now in need. People will go off unemployment rolls, off food stamps, off welfare, and will become taxpayers rather than tax consumers. Thus, a reduction in tax rates will partially pay for itself by causing automatically a reduction in Federal spending.

We are at a critical juncture in moving the President's proposals through Congress. I would stress the importance of the need for all of us to reexamine the need for expenditure cuts. If all of us bear some fair share of these reductions, then they can be made. However, it is not fair to reduce benefits for the farmer and for rural America unless urban Americans also have some of their benefits scaled back. We all must make adjustments and I completely support the administration's efforts to fairly apportion those adjustments.

A word on the importance of curbing Federal budget deficits: When the Federal Government spends more than it receives in tax revenues, the deficit incurred must be made up by borrowing from the public. In other words, the U.S. Treasury directly competes with the private sector investor for available capital funds.

If the Federal Reserve Board holds the money supply constant, then the demands of Government directly crowd out investors and lead to a decline in economic activity and unemployment. If the Federal Reserve increases the supply of money simply to accommodate the needs of the Treasury—this is called monetizing the debt—then prices rise because there has been no increase in productive output. Inflation is "too much money chasing too few goods," and it is encouraged by Federal deficit spending.

Some argue that Government deficits play no role in inflation. Rather, OPEC and big oil companies and the American farmer—just to mention a few—are blamed for oil and food price shocks to the economic system. This shock explanation would have us believe that an increase in the price of one good will increase the level of all prices. If the supply of money is constant then consumers will shift their purchases from relatively expensive, to relatively cheap items. If, however, the money supply increases simply to accommodate the shock, then a general increase in the price level occurs because no new increase in production has occurred. A partial cure for inflation calls for an end to continuous Federal deficits and thus a decrease in the pressure on the Federal Reserve to add to the money supply.

The President's program for economic recovery also includes regulatory reform. On- and off-budget Federal borrowing has inexorably increased Federal

Government domination over the Nation's resources. The same is true of Federal off-budget or regulatory activity. In just 15 years, the regulated sector of the economy has increased from roughly one-tenth to about one-fourth of GNP.

The regulatory mandates which have driven this extraordinary growth of regulatory activity impose both direct or compliance, and indirect costs on the economy. From the evidence available, compliance costs are currently running at more than \$100 billion per year. The indirect costs—while difficult to measure—include higher product prices and reduced output and employment growth because of the necessity of meeting regulatory initiatives. Whatever the magnitude of these costs, they represent a hidden cost of regulatory mandates; a hidden cost whose effects include the displacement of discretionary, private spending.

There is little doubt that regulatory mandates generate benefits. However, the direct and indirect costs of securing these benefits ought to be minimized. This is nothing more than good economics and commonsense. To achieve this result will require that, in general, least-cost methods of achieving regulatory goals be sought.

I will close my remarks with a few summary words. Supply-side economics holds that the supply of both labor and capital to the marketplace is determined by their real, aftertax returns. A rise in tax rates induces workers to seek less work and induces investors to seek not necessarily productive tax shelters. Assured across-the-board tax rate reductions would reverse these effects by restoring the work incentive of increased real aftertax earnings and by restoring the investment incentive which would stimulate economic growth and job creation.

Expenditure cuts must be borne by all, fairly and squarely. The administration must be very sensitive to the needs of that most productive sector in America, the farming sector. In helping other members of society, we must not unfairly burden the farmer whose productivity is unparalleled and small business which provides more jobs than any other sector of the economy.

These supply-side inducements are necessarily complemented by a stable monetary policy. We cannot have a strong economy in the absence of a strong dollar. And of course, we must work to reduce unnecessary regulatory costs.

Mr. President, we are a turning point in our Nation's economic history. We can choose the middle of policies of the previous administration; economic policies that have locked Americans into public welfare programs and sapped American industrial efficiency or we can choose the President's program for economic recovery.

Mr. President, I stress that this improvement will not happen overnight. It took years to get into our present circumstances and it will take years of steady, sound economic initiative to get beyond them. I support the President's program because I believe it charts the



course to a better future for all Americans.

Mr. President, as I spoke today, I do so with the support of most of my constituency. In fact the South Dakota State Legislature has passed House Concurrent Resolution No. 1029 which calls on the Congress to support the President's economic passage. I ask unanimous consent that the resolution be printed in the RECORD.

There being no objection, the resolution was ordered to be printed in the RECORD, as follows:

#### HOUSE CONCURRENT RESOLUTION No. 1029

A concurrent resolution, Memorializing Congress to support the economic programs presented by the President on February 18, 1981.

Whereas, the continued policy of deficit spending has had a devastating effect upon the economy which has resulted in a serious constriction of projected revenues in South Dakota; and

Whereas, we recognize that there should be a complete change in direction and philosophy of federal spending, taxation and regulation; and

Whereas, although President Reagan's economic package will include cuts that directly affect the state of South Dakota and its citizens, we agree that the long range effects of the President's economic package will have lasting benefits far greater than any short-term gains from continuing the expansion of federal spending, taxation and regulation;

Now, therefore, be it resolved, by the House of Representatives of the Fifty-sixth Legislature of the state of South Dakota, the Senate concurring therein, that we support the economic program as presented to Congress on February 18, 1981 and urge the Ninety-seventh Congress to support the President's program through proper legislative process; and

Be it further resolved, that the Chief Clerk of the House of Representatives be instructed to forward this resolution of support to the President of the United States and to the members of the South Dakota Congressional Delegation.

Mr. ABDNOR. In closing, Mr. President, I certainly wish to commend the Budget Committee which has done such an outstanding job and put in such long hours. Certainly they deserve a great thank you.

Mr. ZORINSKY. Mr. President, I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The bill clerk proceeded to call the roll.

Mr. MATHIAS. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. MATHIAS. Mr. President, I ask unanimous consent to address the Senate for not more than 15 minutes on the subject of the commemoration of the 347th anniversary of the founding of the State of Maryland.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. MATHIAS. I ask further unanimous consent, Mr. President, that since we are, today, particularly, honoring the memory of a great American, John Hanson, who was an American of Swedish ancestry, during my remarks, the Am-

bassador of Sweden, Count Wilhelm Wachtmeister, may be invited to enter the floor.

The PRESIDING OFFICER. Is there objection? Without objection, it is so ordered.

#### A TRIBUTE TO JOHN HANSON: MARYLAND DAY 1981

Mr. MATHIAS. Mr. President, it has been my custom each year to observe Maryland Day, the anniversary of the founding of the great Free State of Maryland, by calling attention to an event or person prominent in Maryland history. In reflecting on this custom while preparing for today's 347th anniversary, it occurred to me that even if I were fortunate enough to outlive my allotted three score years and ten, there still would be far too few Maryland Days for me to pay adequate tribute to Maryland's illustrious past and the inspiring men and women on Maryland's lengthy roll of honor. If this be a problem, however, it is the type of problem I enthusiastically welcome—a surfeit of heroes, leaders, patriots, men and women of distinction.

Who, then, among the honored sons and daughters of the Free State was to be my subject for today? The choice was clear—John Hanson—for in this year of 1981, we will commemorate the bicentennial of his election as the first President of the United States in Congress Assembled.

John Hanson was the grandson of one of our Nation's original Swedish colonists, also named John Hanson, who, with his three brothers, sailed as wards of the Crown of Sweden in the care of Johan Printz to New Sweden on the Delaware, landing in New Gothenborg in February 1643. Later, the family moved inland and finally settled in Charles County, where John Hanson was born in 1715. History tells us that he was "tall, dignified and reserved—a man of principle," that he had "wealth and high social standing," that he was thoroughly educated.

As a representative of Charles County in the provincial Lower House of Assembly, Hanson "soon ranked with the Chases, the Tilghmans, and the Carrolls in the distinguished regard of his fellow citizens," according to one biographer. That is impressive company, indeed. In fact, today we would say that he was one of the heavyweights of the Assembly. In 1773, Hanson moved to Frederick County, a section favored by emigrants from Germany, Switzerland, and Great Britain. Accounts of this period of Hanson's life contain some of those truly delightful passages which one comes upon when perusing history. For instance, here is one from a booklet on John Hanson written by Douglas Thomas, of Baltimore, and published in the 1890's:

Being a hardy, independent race, they (the Frederick Countians) were naturally impatient under the oppressive legislation of the British Government, and though peaceable in nature, and slow to violence, were tenacious of their rights and determined to assert them at all hazards.

As a native of Frederick County, I like that description—peaceable in nature but tenacious of their rights.

All that, of course, was approximately 200 years ago. And 200 years is obviously a long, long time. In fact, although I delight in events such as our Nation's Bicentennial and post-Bicentennial observances, I will admit, reluctantly, that my basic image of John Hanson is somewhat colored by what I see when I pass the bronze statue of him in the corridor outside this Chamber. As you view the statue of John Hanson, he looks somewhat old-fashioned; his tricorn hat and his buckled shoes seem quaint. But the issues and problems he faced were not dissimilar to the issues and problems of today. For today's discussion, therefore, let us bring John into the 20th century. Let us fit him with new shoes—loafers, perhaps—and let us look at some of those issues and problems.

In 1769, Hanson was one of the strongest advocates of a nonimportation system inaugurated by the colonists as a result of grievances against Britain. In this year of 1981, do we not have our trade embargo against the Soviet Union as a result of grievances?

In 1774, Hanson was chairman of a committee which sent 200 pounds sterling to Boston for the relief of the poor of that city after normal commerce had been interrupted as a result of the passage of the Boston Port bill. Aid to cities; aid to the poor; we see articles about them practically every day on the front page of the Baltimore Sun.

The year 1775 found Hanson active in efforts to obtain guns and ammunition. If John Hanson were here today, I am sure we could swap tales about our efforts to provide for the common defense as if the centuries between us had never occurred.

Also in 1775, in addition to trying to obtain guns and ammunition, John Hanson worked as a member of a committee formed to establish a gunlock factory in Frederick. An economic development project, obviously.

I shall not belabor this train of thought. The point I am leading to is this: That John Hanson, confronted with problems common to his day and ours, handled these problems in a manner uncommon to his day and ours. Such is the stuff of leadership. Events pass; people pass. Leadership endures. As we look more closely at the life of this man whose problems were so like ours, this point is worth remembering.

Hanson began his public career in the 1750's in the Maryland Assembly, where he first represented Charles County and, later, Frederick County.

In 1769, Hanson was one of the first to sign the nonimportation agreement which I mentioned previously. Then, in October, there came an occasion on which he was called upon to put up or shut up, as we would say. Several packages of goods had been landed in Charles County in violation of the terms set by the nonimportation society. Under Hanson's leadership, the county's advocates of the nonimportation policy forced the

owners to send the goods back to England—and, most importantly, Hanson and his colleagues acted openly and fearlessly.

Several years later, in 1773, Hanson moved to Frederick County where, according to the Thomas biography, "his honesty inspired universal respect and confidence, and his singularly vigorous and well-balanced mind made him a leader among men."

The Boston Port bill was passed the following year. This was designed to cut off all commercial dealings with Boston, and immediately Marylanders took sides with Massachusetts. A meeting of the citizens of Frederick, with Hanson presiding, was held at the courthouse on June 20. Hanson; his son, Alexander Contee Hanson; and another gentleman, Philip Thomas, were appointed as delegates to the "General Congress at Annapolis." They were also selected as members of the "Committee of Observation to receive and answer all letters, and in any emergency to call a general meeting."

When the Committee of Observation was actually organized, Hanson was made chairman, and he served in this capacity until the State government was established and the committee abolished. It was during Hanson's service as chairman that the funds for the poor were sent to Boston—an action acknowledged appreciatively by Samuel Adams of that city.

When the "General Congress," or Convention of Maryland, assembled in Annapolis on June 22, 1774, John Hanson was present as a delegate from Frederick County. Later in the year, when Frederick Countians met to appoint new committees, Hanson was chosen a member of the "Committee to represent the County to carry into Execution the Association agreed on by the American Continental Congress," and was also made a member of the "Committee of Correspondence for the County." The list of the important positions to which Hanson was selected continues, almost too lengthy for repetition. In fact, he seems to have faced the same type of proliferation of committee assignments that we in the Senate have experienced, too.

As the threat of conflict increased, the citizens of Frederick County responded. Gunpowder, arms, ammunition, and other military provisions were assembled. Persons capable of bearing arms were enrolled for duty. Among the leaders in these actions, once again, was John Hanson. Then came June 17, 1775—Bunker Hill.

The echoes of the shots fired at Bunker Hill had scarcely died when, at a meeting of the Committee on Correspondence in the Frederick Courthouse, Hanson read a letter he had received from the Maryland Delegates in Congress. In the letter, the county was called on to supply two companies of expert riflemen to join the army in Boston. In less than a month, the two companies marched from Frederick; 22 days and 550 miles later, they became the first troops from the South to join Washington.

The Convention of Maryland assembled on July 26, 1775. With John Hanson an active participant—a boldly and

fearlessly active participant, according to one account—the Convention issued its Declaration of Independence, known as the "Association of the Freedom of Maryland." Force would be repelled by force. The "present opposition" would be supported. Among the signers was Hanson.

Under the powers of the "Association of the Freemen of Maryland," all of the power of government was vested in the Provincial Convention, composed of five delegates from each county. The convention, in turn, elected a Committee of Safety. This committee was assigned executive power, and, in addition, jurisdiction over military matters.

Again came a series of committee positions for Hanson—Committee on Observation, Provincial Committee for Licensing Suits, Committee for the Building of a Military Jail, or Barracks, in Frederick Town, and others. During Hanson's chairmanship of the Committee on Observation, the conspiracy of the British and Indians in Canada against the western frontiers of Maryland, Virginia, and Pennsylvania was discovered and thwarted.

We come now to 1776. Responding to a call from the Members of Congress for an expression of sentiment on independence, the citizens of Frederick County, with Hanson in a typical leadership role, unanimously resolved the following:

*Resolved*, That what may be recommended by a majority of the Congress, equally delegated by the people of the United States, we will, at the hazard of our lives and fortunes, support and maintain . . .

The Frederick resolution was, to a large extent, the basis of the resolution adopted by the Convention of Maryland on June 28, and on July 4, 1776, the Maryland Delegates in Congress voted with the other colonies for independence.

Later in the year, Hanson was appointed to a commission to reorganize the military commands in Maryland. And as the year drew to an end, the Convention of Maryland adopted the Declaration of Rights and Constitution of Maryland. Under the new constitution, Maryland set up a new government including a legislature with a senate and house of delegates. Subsequently Hanson was elected to the Continental Congress by the Maryland Assembly. His role in Congress was critical to the future of our new Nation. By February of 1797, all of the States except one had signed the Articles of Confederation. The sole holdout was Maryland. According to Prof. William F. Swindler, professor of law, emeritus, at the College of William and Mary, "Maryland's opposition went to the most fundamental of the issues hampering the birth of the Nation—the Western lands." Maryland, with Hanson among the leaders in the fight, held firm to the policy that the lands beyond the natural geographic boundaries of the States should be ceded to the United States for the benefit of all. Virginia and other "landed" States disagreed, pressing their claims to the land. Again I quote Professor Swindler:

When Virginia finally gave in to Maryland's insistence, early in 1781, the last ob-

stacle to ratification of the Articles of Confederation was removed. By February the unanimous adoption of the new frame of government was certified, and one month later the new government formally came into being. There were no stirring speeches, or anything to mark the event at the time. The Congress continued as it had before, although the community celebration outside the legislative halls made up for the prosaic course of business within. John Paul Jones' warship, the *Ariel*, fired off salutes in the harbor, and these were answered by fireworks from the city. The evening was filled with receptions, dinners, and "collations" in celebration.

It had taken three years of effort to achieve the adoption of the Articles of Confederation. They would last for eight more.

That was in March. In November—on November 5, to be exact—Hanson was elected President. He served for a year, until sickness prevented him from discharging his duties, and in 1783, he died while visiting a nephew in Oxon Hill, Prince Georges County.

The compatriots of John Hanson honored him by electing him our first President under our first Constitution. His election under the Articles of Confederation predated the election of George Washington by 8 years. If George Washington is the father of our country, then John Hanson is the grandfather.

Today we honor him with speeches and a wreath.

In the days to come there will be new remembrances and greater honors, for John Hanson belongs neither to our Nation's early days alone nor to the contemporary context within which we considered him here; he belongs to that select domain of great leaders which is timeless and ageless.

Hanson left us a priceless and diverse legacy—patriotism, service, dedication to duty. More than these, though, he left us an imperishable example of personal integrity. When he and his associates signed the nonimportation agreement, they bound themselves to their decision "by the sacred ties of honor and reputation . . ."

By honoring John Hanson today, we are reaffirming to ourselves and our fellow countrymen that the concepts of honor and reputation, battered though they may be at times, persevere today as part of the heritage we are dutybound to cherish, to use wisely, and to pass along to future generations.

I offer a bill to provide for the issuance, by the U.S. Postal Service, of a stamp in honor of John Hanson. I have written to the Postmaster General and to the Citizens' Stamp Advisory Committee about this matter, and I ask unanimous consent that my letters be included in the CONGRESSIONAL RECORD at the end of my remarks since they include additional material about John Hanson—especially about his service as President of the United States in Congress Assembled—which, in the interest of time, I have omitted from this statement.

A bronze medal in honor of Hanson is already being readied for issuance this year, and a Hanson commemorative stamp would be an appropriate complement to the medal. The medal will be issued by the U.S. Capitol Historical So-



ciety, operating under the authority of the Congress. It will be the fourth in a series of medals which are being brought out on an annual basis so that the issuance of the last, in 1989, will coincide with the 200th anniversary of the year in which the Constitution became effective. The first three medals in the series commemorated George Washington and the Battle of Yorktown, John Paul Jones and his ship, the *Bonhomme Richard*, and James Madison, our Nation's fourth President who is widely known as the Father of the Constitution. The sculptor of the Hanson medal is Miko Kauffman, and it is being produced by a firm in Connecticut. No date of issuance has been set, but the medal will eventually be distributed to collectors of the series and to other interested parties through the Capitol Historical Society.

In conclusion, I want to mention in a particular way two of the various sources I used in preparing these remarks—"John Hanson, President of the United States in Congress Assembled, 1781-1782," by Douglas H. Thomas, of Baltimore, and "John Hanson, First President of the United States Under the Articles of Confederation," by Dr. Amandus Johnson. In general, I relied on their accounts of Hanson's activities. If there are historians who disagree with their presentations and interpretations, I would like to explain again that my purpose in these remarks, as I have stated, has not been to scrutinize and debate over the events in which Hanson participated but rather to focus on the common thread of his leadership which can be seen in them all and which binds them together into the story of the life of a great patriot. The biography by Douglas Thomas published and distributed in the 1890's, was instrumental in having Hanson selected as one of the two Marylanders to be honored in accordance with an act of Congress, in 1864, authorizing each State to place two statues of honored sons or daughters in the Capitol (the other is Charles Carroll of Carrollton, one of the three Maryland signers of the Declaration of Independence). A copy of the booklet is in the Rare Books and Special Collections Division of the Library of Congress. The other biography, by Dr. Amandus Johnson, the outstanding Swedish-American historian, lecturer and author of books and articles on the history of Swedes in America, contains a great deal of information about Hanson's ancestry and about the controversy over whether he was truly "president."

Dr. Johnson founded the Swedish Colonial Society in 1908 and was instrumental in the establishment of the American Swedish Historical Foundation and Museum in Philadelphia. Let me add a couple of reminders at this point. It was the Swedish Colonial Society which donated the bronze bust of John Hanson which surmounts the seven-sided monolith of black Swedish granite at Gloria Dei (Old Swedes) Church in Philadelphia; the monolith itself was the gift of the Vasa Order of America in Sweden. There is also a permanent monument to Hanson at his birthplace in Mulberry Grove, Calvert

County, and this was erected by the Vasa Order of America.

Back to Dr. Johnson's booklet: As I was saying, the publication by Dr. Johnson as well as the booklet by Douglas Thomas are interesting publications about an interesting man, and I acknowledge the assistance they were to me in the preparation of these remarks.

At this point, Mr. President, I ask to have printed in the RECORD letters on this topic, beginning with the most recent.

I send to the desk on behalf of myself and my distinguished colleague from Maryland (Mr. SARBANES) the bill to provide for the issuance of a postage stamp to commemorate the 200th anniversary of the election of John Hanson of Maryland as the first President of the United States in Congress assembled. I ask for its appropriate reference and I ask unanimous consent that it be printed in the RECORD.

There being no objection, the bill was ordered to be printed in the RECORD, as follows:

S. 797

*Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, that the Postmaster General shall issue a commemorative postage stamp to honor the 200th anniversary of the election of John Hanson of Maryland as first President of the United States in Congress Assembled.*

SEC. 2. The commemorative postage stamp issued under this Act shall be issued in the denomination used for first-class mail up to one ounce in weight and shall bear such designs as the Postmaster General shall determine.

SEC. 3. The commemorative postage stamp issued under this Act shall first be placed on sale on November 5, 1981, the 200th anniversary of John Hanson's election as President of the United States in Congress Assembled, and shall be sold for such period thereafter as the Postmaster General shall determine.

The PRESIDING OFFICER. Without objection, the bill will be received and appropriately referred.

Is the Senator requesting that the other information he spoke of be printed in the RECORD?

Mr. MATHIAS. I further ask unanimous consent that the letters accompanying my statement be printed in the RECORD.

There being no objection, the letters were ordered to be printed in the RECORD, as follows:

MARCH 4, 1981.

HON. WILLIAM F. BOLGER,  
Postmaster General,  
U.S. Postal Service,  
Washington, D.C.

DEAR MR. POSTMASTER GENERAL: Today I am sending this letter to you and to the Citizens' Stamp Advisory Committee. On November 30, 1781, George Washington wrote to John Hanson: "... I congratulate you on your appointment to fill the most important seat in the United States."

What Washington saw fit to recognize in the full awareness of contemporary history, our modern United States Postal Service, two centuries removed from its own and our Nation's beginnings, has thus far neglected. It is not too late to remedy the omission. Memories fade; enthusiasms wane; history dims. The facts of history, however, endure and it is our duty today to dispel the haze

of time and illuminate those aspects of our Nation's history which are our heritage and our inspiration.

What better way to honor the service of John Hanson—the first President under the Constitution—than to call his service to the attention of the Nation through the issuance of a commemorative stamp in this bicentennial year of his election as President of the United States in Congress Assembled?

The time is eminently appropriate. We hear today of new beginnings. How fitting it would be to turn again in a special way to our first new beginnings. We hear much today of the need for qualified men and women of honor to seek public service despite our troubled times. John Hanson remains a continuing exemplar. The spirit which renewed our Nation as we prepared for and observed its bicentennial lingers. If stamps in honor of Sybil Ludington, Youthful Heroine; Salem Poor, Gallant Soldier; Haym Solomon, Financial Hero; and Peter Francisco, Fighter Extraordinary, helped bring us closer to the cessation of our ties with England, a stamp in honor of Hanson would surely take us back in thought and spirit to our subsequent fledgling days as a sovereign nation.

In addition to the stamps I have just mentioned, I have seen stamps in honor of Dolley Madison, Adolph S. Ochs, Sidney Lanier, Henry David Thoreau, Walt Disney, W. C. Handy, John Steinbeck, W. C. Fields, and Jimmy Rodgers, Singing Brakeman. I do not question their worthiness. I have also seen stamps in commemoration of Everett Dirksen, who was my friend and colleague, and Frances Perkins. Again I do not question their worthiness. I thoroughly understand why each is on the list of honorees. What I do not understand when I review these individuals is why John Hanson has not yet been added to their number.

My interest in a Hanson commemorative stamp is not new. As your files will show, I have written to you at length on this important matter. Copies of my previous correspondence are enclosed for your information. I will not repeat the arguments contained therein, but I urge you to reread my previous letters. I will, however, emphasize these points: (1) that when John Hanson was elected in Independence Hall two centuries ago, he became the first President elected under and according to our first Constitution and the head of Sovereignty of the United States, and (2) that in this anniversary year, the significance of Hanson's election and service should be given appropriate recognition through the issuance of a commemorative stamp.

Recently I saw a fairly new stamp in honor of Philip Mazzel, "Patriot Remembered." I am sure that you and the Citizens' Stamp Advisory Committee will not relegate John Hanson to the ignominious category of "Patriot Forgotten."

With best wishes,  
Sincerely,

CHARLES MCC. MATHIAS, JR.,  
U.S. Senator.

OCTOBER 9, 1980.

THE CITIZENS' STAMP ADVISORY COMMITTEE,  
U.S. Postal Service,  
Washington, D.C.

GENTLEMEN: The 200th anniversary of the Declaration of Independence was the highlight of the Bicentennial Era, and its celebration stimulated considerable public interest in the signers of that document and the events of the period. In 1989, another national celebration will mark the 200th anniversary of the adoption of the Constitution of the United States.

It is fitting that we also commemorate and focus the public's attention on the events of the fateful years between—events that transformed 13 independent colonies into one united nation—and on the leaders who kept

government strong at a time when its breakdown would have made the revolution fail. The adoption of the Articles of Confederation and election of John Hanson as President was an event of momentous significance, for it marked the first time the American colonies were united under a written constitution with a head of state. We were for the first time truly free and independent, and so considered by the governments of Europe. For the first time we were a nation.

When representatives of the colonies met for the first Continental Congress in 1774, they sought conciliation with the King, and had no intention to seek independence or to form a permanent union with one another. As hope for harmony with the King faded, the colonies began to separately declare themselves to be "free and independent states," and they so remained until adoption of the Articles of Confederation in 1781, when the structure of the new republic had been completed and its first constitution went into effect.

In my previous letters of April 14 and May 7, I have touched briefly on some of John Hanson's achievements, which were of momentous importance in uniting the states as one American nation. In the later years of the Revolutionary War, when victory seemed within grasp, the 13 colonies began laying vast claims to lands outside their immediate boundaries. These claims led to heated territorial disputes among the states that threatened to dissolve into armed conflicts. Wars among the independent states at that time would no doubt have greatly altered the structure of our government, and indeed may have altogether prevented the founding of the United States. By insisting that all states renounce their claims to additional territories, John Hanson, as leader of the Maryland delegation and respected statesman of the Continental Congress, performed a unique and great service by bringing about harmony among the states that made possible their agreement to unite as one nation.

The colonies did finally agree, after much discussion, on one constitution by which all would be governed, and in 1781 the Articles of Confederation were adopted. John Hanson was elected President and was the first to serve as chief of state, rather than as a temporary presiding officer of the Congress.

He was recognized as the highest official of the land, and it was to him that foreign dignitaries paid their respects when traveling in the new world. During his term of office, for the first time a national government structure was formed. A Department of Foreign Affairs was established, a national Judiciary was created, a Secretary of Marine (Navy) was appointed, the offices of Secretary at War and Superintendent of Finance (Secretary of the Treasury) were instituted, and a national system of taxation was proposed. The Consular Service was originated, the Bank of North America was founded, the national post office was organized, and a special Seal of the United States was adopted. In other words, a functioning national government became a reality.

Some years later, in the effort to form "a more perfect union," a new Constitution of the United States was written and adopted in 1789. That Constitution has survived to this day. It retained many of the provisions of the Articles of Confederation, its predecessor. The first to be elected by his colleagues to serve as President under the new constitution was, of course, Gen. George Washington. His was a unique and important honor, to be sure, but it is important also that we honor the men who filled the highest office under the original constitution, and whose leadership and dedication preserved and advanced the principles which endure to this day.

I hope that we can properly focus attention on this important historic event by issuing a stamp to commemorate the bicen-

tennial of John Hanson's presidency under the Articles of Confederation. The Hanson home in Frederick has been named to the national register of historic places, and his statue stands in Statuary Hall in our nation's Capitol. In these bicentennial years, it is fitting also that a stamp be issued to commemorate this great patriot and his service in helping to found this nation.

I respectfully urge your favorable consideration of the proposal which is pending before you.

Sincerely,

CHARLES MCC. MATHIAS, Jr.

MAY 7, 1980.

HON. WILLIAM F. BOLGER,  
Postmaster General,  
U.S. Postal Service,  
Washington, D.C.

DEAR MR. POSTMASTER GENERAL: I appreciated very much your prompt response to my letter urging issue of a stamp to commemorate the 200th anniversary of John Hanson's presidency.

We are now in the period between the bicentennial of the Declaration of Independence in 1776 and the bicentennial of the adoption of the Constitution in 1789. During this period 200 years ago the statesmanship of men like John Hanson was crucial to resolving the differences among the separate states and leading them to become "United States" under the Constitution.

Yet those men who helped forge that union have remained largely unsung heroes. By recognizing the men and events of these interim years, we can help to remind the public of the relationship between the two bicentennial celebrations.

I remain hopeful that the Citizens' Stamp Advisory Committee will find it possible to help honor this great Swedish-American patriot who was our nation's first head of state.

Sincerely,

CHARLES MCC. MATHIAS, Jr.

APRIL 14, 1980.

HON. WILLIAM F. BOLGER,  
Postmaster General,  
U.S. Postal Service,  
Washington, D.C.

DEAR MR. POSTMASTER GENERAL: Because of my longstanding interest in our American heritage and my interest in John Hanson, I very much hope that a stamp can be issued to commemorate the 200th anniversary of Hanson's presidency and to honor his vital contributions to our nation.

As you may know, John Hanson, of Frederick, Maryland, led the Maryland delegation to the Continental Congress. He was held in great esteem by the members of that historic body and was elected the first president of the states assembled under the Articles of Confederation. That formative period between the Revolutionary War and the adoption of the Constitution was a volatile one. Had it not been for the strong and wise leadership of John Hanson, disputes that arose among the states might well have dissolved into conflicts that would have prevented the union of the states under the Constitution of the United States.

Every school child knows that the first President elected under the Constitution was George Washington, but the importance of John Hanson's leadership as the first President under the Articles of Confederation has been much less well known and is deserving of our recognition.

Mr. Erik Tornqvist, Governor of the Swedish Colonial Society, has provided the Citizen's Stamp Advisory Committee more detailed information about the crucial role of John Hanson in unifying our new nation. I heartily endorse the proposal for a stamp in his honor, and urge your favorable consideration.

Sincerely,

CHARLES MCC. MATHIAS, Jr.

Mr. SARBANES. Will the Senator yield?

Mr. MATHIAS. I am happy to yield to my distinguished colleague.

Mr. SARBANES. Mr. President, I am pleased to join the senior Senator from Maryland, my distinguished colleague (Mr. MATHIAS), in introduction of this bill. I am pleased also to join him in commemorating Maryland Day and recognizing the enormously significant contributions made to our State and Nation by John Hanson, one of our outstanding Revolutionary War leaders and the Nation's first President of Congress under the Articles of Confederation.

Born at Mulberry Grove, near Port Tobacco, of Swedish descent, in April of 1715, John Hanson lived in Charles County until 1777 and represented his county during this period in the assembly for several sessions.

In 1773, he moved to Frederick County, where he was to make his home for the rest of his life.

Frederick County is the home county of our distinguished senior Senator, Senator MATHIAS, so, in a sense, there is a clear line of descent in terms of public officials of that great county from John Hanson down to Senator MATHIAS.

While living in Charles County, John Hanson assumed the leadership of the opposition to the Stamp Act. He strongly advocated the nonimportation agreement in 1769. After he moved to Frederick County in 1773, he led the movement in that part of our State for testing the closing of the Port of Boston.

Shortly thereafter, he was appointed a delegate to the Convention of Maryland as well as a member of the Committee of Observation.

In 1777, Congress submitted the Articles of Confederation to the legislatures of each State for ratification. Within a year and a half, all the States had ratified the articles except Maryland, which refused to do so until those States which claimed lands in the Northwest Territory should surrender their claims, Maryland's position being that only Congress had the sole right and power to determine the western boundary of those States which possessed land claims. Maryland insisted that the Northwest Territory should become the common property of the United States, subject to be parceled out by Congress into free, convenient, and independent governments.

Led by John Hanson, who in 1779 had been elected to the Continental Congress, Maryland persisted in its demands, until finally Congress yielded and recommended that all States with western land claims cede them to the Confederation. After the adoption of the Maryland plan, the Articles of Confederation then became operative, when John Hanson and Daniel Carroll signed the document.

On November 5, 1781, 200 years ago, John Hanson was elected President of the United States in Congress Assembled. He served until April of the following year, when increasing ill health forced him to become inactive.

After General Washington's victory over Cornwallis at Yorktown, John Han-



son presented Washington to the Congress on that auspicious occasion.

Mr. President, as my distinguished colleague has pointed out, Maryland has had many, many important and significant historical figures who have contributed to the building of the Republic. Today, which marks the 200th anniversary of John Hanson being the first President of the United States in Congress Assembled, is a particularly significant occasion, and we are honored that the Ambassador of Sweden is here with us on this occasion.

In 1902, the State of Maryland selected John Hanson to represent our State with a statue in the National Hall of Fame, and that statue stands literally right outside the center door of the U.S. Senate. In fact, we pass by it every time we assemble and proceed to the House of Representatives for a joint session of Congress, with John Hanson staring down at us with forbearance and understanding and tolerance, which always has characterized our State, and with the vision which he brought to the problems of his day.

So I am very pleased to join Senator MATHIAS today in honoring Maryland Day and in honoring John Hanson.

I thank the Senator for yielding.

Mr. MATHIAS. Mr. President, I thank my distinguished colleague for his thoughtful remarks and for his historical review. I also appreciate his generous thoughts with respect to Frederick County, my native county, and his charitable thoughts with respect to me—all of which are much appreciated.

I point out that the measure which has been introduced by Senator SARBANES and me has its counterpart in the other body, in a bill introduced by Representative HOLT; and I urge Members of the Senate to act upon that measure very promptly.

I might even urge the Postmaster General to act on his own initiative and to issue this stamp promptly, which would make it more economical and more efficient than going through the rather cumbersome legislative process of ordering it done by statute.

Mr. SARBANES. Mr. President, will the Senator yield?

Mr. MATHIAS. I yield.

Mr. SARBANES. I suggest that if the Postmaster General were to do so, it would show a sensitivity to the history of our State and country which would be highly commendable.

Mr. MATHIAS. I agree.

Mr. President, I take this opportunity to welcome the Ambassador of Sweden, who has entered the Chamber pursuant to the order of the Senate.

I believe it is a mark of his high degree of sensitivity that he has joined up today for this event. He is certainly one of the most distinguished of the ambassadors to serve in Washington.

My acquaintance with Count Wachtmeister goes back prior to his arrival here as Ambassador. I had occasion to meet him in Stockholm at a time when the United States was much worried about our prisoners of war in Vietnam; and through his efforts and those of his countrymen, we were able to take first

steps toward alleviating the conditions under which American prisoners of war were held. For that, we shall be grateful to Sweden and particularly grateful to Ambassador Wachtmeister.

We are pleased, also, that his wife, Countess Wachtmeister, has joined us for the ceremonies in connection with this commemorative day of Maryland. She has contributed enormously to the cultural life of Washington during the years they have lived here. I am happy that both of them are able to be in the Capitol and to join us today.

Mr. SARBANES. Mr. President, I join my colleague in his expressions of respect and admiration for Ambassador Wachtmeister in the superb representation he has provided his country and in being a very close and true friend of our country. We are honored that he and Countess Wachtmeister have taken the time to join us today on this occasion.

#### SENATE CONCURRENT RESOLUTION 9

Mr. GRASSLEY. Mr. President, I wish to speak in support of the second concurrent resolution on the budget (S. Con. Res. 9) as reported by the Senate Budget Committee on March 23, 1981, the contents of which are more fully described in Senate Report No. 97-28. The bill is not perfect; little that we as a deliberative body undertake to do cannot be improved. We will have a chance to make further refinements when the Senate takes up this measure tomorrow.

I speak in support of the resolution as a recently elected Senator who recognizes that he was elected by the people of the State of Iowa because of their desire to limit spending and the imposition of taxes by the Federal Government.

I speak in support of the resolution as a person who served 6 years in the other body and in that Chamber fought excessive Federal spending. During those 6 years, my side continually lost. The events of recent years, during which time the Nation's economy has declined precipitously, proves that the people of the United States also lost.

For example, the Consumer Price Index, commonly cited as a measure of the rate of inflation, increased by only 6.5 percent in 1977. The CPI increased by more than 12 percent during calendar year 1980.

Finally, I speak as a Member of the Senate committed to making the legislative process and the institutions of Government work, at least until we can make structural improvements. Here, I make reference—in regard to structural improvements—to my desire to provide in the Constitution for a balanced Federal budget.

Until we are successful in that endeavor, we must make use of existing laws and procedures.

In this case, today, we are following the provisions of the Congressional Budget and Impoundment Control Act of 1974.

The effort of the President and the Congress to restrain increases in Federal spending has, at least up to this point, been a useful exercise.

The Budget Committee, of which I am a member, has sent to the floor a resolution that trims \$14.7 billion in budget authority and \$2.9 billion in outlays from the current fiscal year's budget.

These savings are somewhat lower than the administration requested for fiscal year 1981. Our budget authority reduction is \$2.5 billion less than President Reagan proposed; our outlays will total \$100 million more this fiscal year. Savings achieved for fiscal year 1982 total \$52.1 billion in budget authority and \$37.4 billion in outlays.

It is expected that even greater savings will accrue to the taxpayers in the outyears past 1982.

We have given President Reagan virtually everything he has asked for and, in some instances, we have improved upon the administration's suggestions by shaving an additional \$2.4 billion in authority and \$2.3 billion in outlays for fiscal year 1982.

I say that this has been a useful exercise for a number of reasons. To illustrate this point, it is necessary to compare where we are and what we are doing this year as opposed to just 1 year ago.

In the autumn of 1979, Congress approved spending targets of approximately \$548 billion in fiscal year 1980 and \$613 billion in fiscal year 1981. In May 1980, Congress, at the request of former President Carter, increased fiscal year 1980 outlays by \$16 billion to nearly \$566 billion. The former President, as well as his loyalists in the Congress, carried on a much publicized flirtation with a balanced Federal budget for the current fiscal year (fiscal year 1981), and then moved to dump the idea.

Federal spending, in part fueled by double digit inflation and a faltering economy, continued to explode during the summer of 1980 so that, by the end of fiscal year 1980, the former President and the Congress incurred outlays of \$579 billion. Last autumn, outlays for the current fiscal year were set at \$632 billion. President Carter, in one of his last official acts in office, revised fiscal year 1981 spending projections upward to \$662 billion. Incidentally, his new projected deficit was projected to be in excess of \$55 billion.

It is against this backdrop of spiraling inflation brought about by uncontrolled Federal spending that President Reagan's budget revisions should be viewed. The Budget Committee's actions must be evaluated in light of the economic calamity awaiting our country unless corrective action is taken. President Reagan seeks to limit Federal outlays to \$655 billion this year. This sum, which is 2 percent less than the amount projected by President Carter in his January revision, still is more than \$42 billion above what was anticipated just 1 year ago.

The Senate Budget Committee has given President Reagan \$2.9 billion in reductions this year, and more significant savings next year. And this fact cannot be overemphasized, but we still are spending much more than even the biggest spenders in Washington thought possible a year and a half, or even 1 year ago.

Just 12 months have brought about a \$42 billion increase in expenditures beyond expectations.

The President's initiatives are useful because the frame of reference for discussions on Federal spending has been shifted, both for the immediate moment as well as the foreseeable future, or at least I should say hopefully for the foreseeable future. This became apparent to me in talking with lobbyists and representatives of interest groups.

In the past, it was standard practice for those pleading the case of increased Federal spending for a given program or policy to ask for an increase over and above the rate of inflation. Discussions were prefaced with the comment that "We'll have to have this much just to keep up with inflation and then we'll need an additional amount for our new program." This sort of mentality, the constant add-ons that anticipate a high rate of inflation and a Federal Treasury without limit, has contributed to the economic mess we are in.

Now when I am approached with respect to the Federal budget, the discussion is begun by an indication that "There is some waste in what we are doing" and an admission that "We can live with last year's funding or even a slight reduction." This indicates to me that Americans are reexamining and reevaluating Federal spending in light of the new economic realities, and, more importantly, in light of the mandate of the electoral race in the last election. Programs will operate more efficiently and those things that must be done will still be done.

Mr. President, there is a common misconception among commentators and opinionmakers, who either have not done their homework or are not inclined to report all of the facts, to the effect that the Budget Committee recommendations provide for "meat ax" reductions in social and income transfer programs.

They fail to point out that, although there are indeed reductions from current law or President Carter's budget proposals, total Federal spending for most of these programs will continue to increase.

I will give you the following as an illustration of my point:

If my colleagues will turn to the top of page 106 of the committee report, they will observe a half-page summary of proposed reductions in the disability insurance program within function 600.

The President and the Budget Committee believe that if stricter recency of work standards are applied, then outlays in fiscal year 1982 can be reduced by \$124 million.

The baseline figure indicates that, even with this reduction, spending for the disability insurance program will increase by more than \$2 billion from \$17.447 billion in fiscal year 1981 to \$19.491 billion in fiscal year 1982.

This proves the point that many of us have been making as we visit with our constituents back home, namely, that we are not proposing budget cuts; rather, we are asking for restraints in increases.

I tried to emphasize this point in my additional views contained in the committee report where I wrote that:

The proposed budget reductions included in the revised budget resolution for fiscal year 1981 do not reduce the Federal budget to a level lower than we have had in any previous year. Even with the difficult spending cut decisions we have made, the budget for fiscal year 1982 will be approximately \$700 billion, with a deficit of \$45 billion. The reductions are merely designed to limit the rate of growth of Government spending from its current growth trend of 16 percent to 6 percent. The budget next year will still be the largest in history.

Mr. President, President Reagan and the members of the Senate Budget Committee have, in light of the economic calamity facing us if we do nothing and adopt a "business as usual" approach, acted responsibly. The facts that document my assertion are contained in the committee report accompanying the resolution.

I regret that some, whom I have made reference to earlier, have portrayed our program for economic recovery as drastic and insensitive, the budget revisions as draconian.

Those who have, over the years, profited from profligate Federal spending, have seized upon the media's "evidence" and I use that term advisedly, and attempted to mobilize their particular constituencies in an effort to undo the work that must be done.

Facts have been distorted and millions of Americans, without direct access to the hard documents containing the President's program and detailing the Budget Committee's deliberations, have been unduly alarmed.

I began my remarks by observing that I speak as a recently elected U.S. Senator. I believe that one of the reasons that I was elected last November was that, during my years as a Member of the House of Representatives, I kept in touch with the people whom I represented in the Congress. I have kept in touch since being sworn in to serve in the Senate. The people do not want a "business as usual" approach. They want an approach to solving the economic problems facing our country. These constituents insist on reductions in size and growth of the Federal Government. The adoption of the second concurrent resolution on the budget for fiscal year 1981 will demonstrate that we have listened and paid attention to the message that has been sent. Expeditious consideration and adoption of this legislation will mark a first step, however tentative, down to the road to economic recovery for our people and the entire nation.

Mr. President, I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The assistant legislative clerk proceeded to call the roll.

(Mr. GRASSLEY assumed the chair.)

Mr. TOWER. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER. Without objection, it is so ordered.

#### THE RECONCILIATION INSTRUCTION

Mr. TOWER. Mr. President, last November the American people mandated

Congress to bring the size and scope of Government back into control and to end the runaway Government spending that has fueled inflation. Last Thursday the Senate Budget Committee acted in compliance with that mandate by unanimously voting to report to the full Senate a reconciliation instruction which embodies President Reagan's proposed budget cuts. This reconciliation instruction is the result of an arduous effort put forth by my colleagues on the Budget Committee to respond to a mandate given by the people of our country—mandate voiced by the majority of Americans to stop Government growth, to balance the budget, to strengthen our national defense, to stimulate the creation of jobs and reduce the tax burden, to reduce and eliminate inflation, and to resurrect our economy from the nadir to which it is now plummeting.

The urgency of our situation is underscored by the expeditious manner in which the Budget Committee has reported to the Senate the reconciliation instruction for fiscal years 1981, 1982, and 1983. In my 20 years in this great deliberating body, I have never seen such unity of purpose and such willingness to place the national good ahead of parochial interests. It is an historic event—one I am proud to be associated with—and I exhort my colleagues to recognize that our failure to preserve the integrity of the President's economic package will unmistakably consign us to a state of precipitous and irreversible economic decline.

I think I would be remiss if I failed to thank the distinguished chairman of the Senate Budget Committee, Senator DOMENICI, for his fairness and perseverance in leading the committee to unanimous agreement on a package of budget rescissions totaling \$36.4 billion for fiscal year 1982. This package has the support of Senators from the north and south, east and west; it has the support of Democrats and Republicans, liberals and conservatives; it is representative of the administration's intentions, and most important, it embraces the wishes of the vast majority of the American people.

Now, I am certain the rescission proposals have brought many interest groups to the Capitol to urge the sparing of their particular programs. It is true that the magnitude of our problems requires drastic action which will cut growth in some very desirable programs around the country. But many of the affected groups have told me they are willing "to take it on the chin,"—even though it is not in their short-term economic interest—if it means our economy will be revitalized. One constituent tells me he is tired of Band-Aid cures for cancer. He is a realtor and knows the budget cuts will hurt him in the short run; but if the corrective surgery is performed now, he and the rest of us will be better off in the long run.

I am aware of the complaints that "the budget cuts are necessary, but they are inequitably distributed." A parochial approach, however, would only serve to undermine the administration's attempts to deal with the pressing economic con-



cerns of the day. The multifarious economic problems confronting us call for a united front to achieve a common objective. I can hardly be sympathetic to charges of regional bias from the North—when Buffalo, Detroit, and Cleveland all receive far higher amounts of Federal moneys for community development than Dallas, Tex. The cities of Detroit and Cleveland alone receive three to five times the amount of Federal funds in transit subsidies than does Dallas. And in the city of Houston—the fifth largest, and the fastest growing city in the United States—no funds will be available for a mass transit rail system; but fixed rail systems in the Northeast corridor will continue to receive mass transit capital grants.

The State of Texas has the longest international border of any State. Reductions in appropriations to Immigration and Naturalization Service exacerbates problems peculiar to the Mexican border States.

Although Texas has the greatest number of retired military personnel of any State, I am willing to go along with the proposal to limit the cost-of-living adjustments to one per year instead of two per year. Scientific research at NASA and health research at Houston's Medical Center will be cut down. SBA and FEMA loans are being reduced. Our State, which is disaster-prone, will have to bear the financial burden of rebuilding whenever plagued by hurricanes, tornadoes, and other disasters.

We must take the overall program with particular reductions that each of us individually might disagree with because once the program becomes open to special interests, we will never be able to arrest growth in Federal spending. There are aspects of the package which I seriously question, but I am putting aside those concerns. It is a tough, hard-nosed way to have to go about it; but I think this is what the American people want. I urge my colleagues in the Senate to put aside special interests in order to pass the President's program.

We have a rare opportunity to respond to the expressed will of the American people. We must stay in step with the administration on its crusade to set our financial house in order. The reconciliation will not destroy 30 years of social programs; it will not take food out of the mouths of mothers and children; nor will it go back on our society's commitment to help the needy. This resolution will trim the untamed, unharnessed, and rampant growth of Federal spending which is bringing our country to its knees. It is imperative that we act responsibly and expeditiously in approving the reconciliation instructions.

Mr. President, I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The legislative clerk proceeded to call the roll.

#### THE PRESIDENT'S BUDGET PROPOSALS FOR FISCAL YEAR 1982

Mr. THURMOND. Mr. President, today I rise to express my strong support

for President Reagan's budget proposals for fiscal year 1982.

This program is not just a cut in Government spending. It also includes a tax cut package, a reduction in excessive Government regulation, a sound monetary policy, and eventually, a balanced budget. I believe all of these measures are necessary, and I will support the administration's efforts to achieve them.

During the past two decades, the Democratic-controlled Congress has addressed every aspect of our social and economic problems with more legislation, more interference by the Federal Government, and more spending to support the growth of Federal services.

The traditional relationship between the power of the States and the Federal Government has been thrown totally out of balance. Federal grant programs, subsidies, regulations, and special interest groups, acting with Federal financial support, have tipped the principles of Federal/State relations too far in the direction of big Government.

The United States is fast approaching a trillion dollar budget, which would be reached in just a few years if Government spending continues at present rates.

Although Federal spending may rise, it must not do so at the rate we are now experiencing. President Reagan proposes to reduce the amount of the Federal spending and, in the process, reduce the size of Government.

A few figures are helpful in understanding the growth of Federal spending. The January budget estimates showed Federal spending increasing at an annual rate of 13.3 percent from 1977 to 1981. The Reagan administration budget program will reduce the rate in the increase of Federal spending to only 5.5 percent a year over the 1981-84 period.

Revenues will also be reduced through the passage of tax cuts recommended by the administration. As a result of these proposals, Federal receipts are estimated to rise by 28 percent between 1981 and 1984, and by 57 percent over the entire 1981-86 period. Under the Carter administration's proposals, receipts would have risen by 96 percent over this 5-year period. This reduction in revenues to the Government will mean more capital for private investment and economic growth, thus reducing the size of Government spending while stimulating the private sector.

Mr. President, one area where I wholeheartedly support the President is the necessity for a balanced budget. The budget has been balanced only once in the last 20 years, and if we keep spending at current levels, there is little hope of ever balancing the budget again. For years, I have advocated the need to spend only what can be brought in as revenue. Numerous States have long recognized the need for fiscal responsibility and have passed laws, or amendments to State constitutions, to achieve that purpose. My State is one of those. Unfortunately, the Federal Government has been consistently running up deficits in record style and making no attempts to maintain a balanced budget.

I have introduced a measure to amend the U.S. Constitution that would require Congress to vote affirmatively if it wants expenditures to exceed revenues in any given year. There would be, however, an exception for wartime situations. The Constitution Subcommittee of the Senate Judiciary Committee has already held a day of hearings on this proposal, and I expect action by the full committee early this year.

Mr. President, the administration's proposed budget reductions have not been made in a random or hurried manner. A number of criteria have been used to reach these decisions. For example, the President has made it very clear that he intends to continue funding support for the elderly, the hardcore unemployed and poor, and those Americans who fulfilled their commitments to the country in times of war.

Entitlement programs will be revised to eliminate unintended benefits or, in other words, benefits that have gone to people with middle to upper incomes or to people who are collecting twice from similar programs.

Economic subsidy programs like CETA, Job Corps, and other community service programs will be scaled back or consolidated into a block grant to the States where they can be more effectively managed and tailored to local needs.

Tax credit for certain nonprofit institutions will be withdrawn, and the guaranteed student loan program will be modified to remove the special allowance for those who lend to parents of students. The 9-percent interest subsidy now provided for students while they are in school will also be eliminated.

Another criterion will be the consolidation of many categorical grants to State and local governments into block grants. Nearly 550 programs are scheduled for such action. In the health, education, and social services programs alone, consolidation will encompass 616 pages of law; 1,400 pages of regulations; more than 10,000 separate grants; and approximately 88,000 grant sites. It takes over 7 million hours to fill out the forms relating to the programs funded by the Federal Government in this area and several thousand Federal employees to administer them.

Finally, President Reagan is addressing the matter of reducing Federal overhead, personnel costs, and program waste and inefficiency. President Reagan placed a complete freeze on hiring and put limits on orders for the procurement of new office equipment.

These are the criteria that the administration has used to achieve budget reductions so that it can provide support for the truly needy while fulfilling our responsibility to strengthen the national defense. To many, the proposed increases in defense spending at the expense of social programs may seem unacceptable. However, an increase in defense spending is a necessity. The security of the United States in terms of military readiness has never been more in jeopardy. We are falling far behind the Soviet Union in a number of areas, and we need an infusion of programs to catch up. This

is especially important in view of the current world situation.

Mr. President, I intend to support the budget revisions recommended by President Reagan, even as they adversely affect people in my own State of South Carolina. A number of groups and individuals have contacted me asking for my support in reversing administration cuts of Federal programs, such as the Economic Development Administration, coastal plains projects, the Appalachian Regional Commission, and the food stamp program. These cuts, according to the Governor's office of South Carolina, will amount to approximately \$122.5 million for fiscal years 1981-82. On the positive side, however, Miss Barbara Feinn, the chief economist for the State of South Carolina, predicts that South Carolina can expect nearly 150,000 new jobs in the next 5 years. Forty percent of these jobs, according to Miss Feinn, can be attributed to increased productivity due to Federal spending cuts.

In conclusion, Mr. President, we cannot continue to spend more than we take in. When the budget deficit increases, the U.S. Treasury is forced to go out into the marketplace and borrow money to service that debt.

This borrowing by the Federal Government, in turn, forces up interest rates, which results in higher inflation. Inflation hurts everybody—rich and poor alike. It especially hurts the governmental units of this Nation which are being asked to provide more and more services. If Federal spending can be reduced, inflation can be brought under control.

Mr. President, on November 4, 1980, the American people expressed their desire to have less government, less Federal spending, and less regulation. The Reagan budget proposals are responsive to that mandate. The President has the responsibility to see that this program is carried out. He has the support of the American people. I know he has the support of the senior Senator from South Carolina. He deserves the support of every Member of Congress.

#### PRESIDENT'S SPENDING REDUCTION PROPOSALS

● Mr. QUAYLE. Mr. President, today we have an opportunity to take the first step in implementing the President's spending reduction proposals.

The passage of S. 509, to suspend the April 1 increase in milk prices supports, will represent a modest savings of \$147 million in fiscal 1981, and an additional \$86 million in fiscal year 1982.

However, it will be an important and necessary signal that Congress is serious about fighting inflation, reducing Federal spending, and putting our economic house in order.

In 1980 the Agriculture Department spent more than \$1 billion on the dairy program. Unless we take this action, the gross expenditures of the program in 1981 will reach \$2 billion.

Failure to enact this legislation will impact on consumers with retail milk prices estimated to rise about 3½ to 4 cents per half gallon.

We are experiencing a growing surplus of Government-held stocks of dairy products. For example, as of February 20, 1981, the Government owned 355 million pounds of nonfat dry milk. This is expected to increase even without an increase in the price support level. In January, the Government bought 43 percent of all the butter produced in this country.

Mr. President, many Indiana dairy farmers have advised me that they are willing to forego the April 1 increase in the best interests of the economic health of the country. This is in keeping with the longstanding tradition of patriotism shown by American farmers and their commitment to fiscal responsibility.

There are those who have suggested to me that we support an amendment to require imposition of a quota on casein imports at a level based on 50 percent of the average import levels between 1975 and 1980. I have studied the merits of this amendment and have concluded that it is deficient in that it has the potential of damaging the \$47 billion of U.S. agricultural export trade; it poses the threat of almost certain action against all U.S. exports under the General Agreements on Tariffs and Trade; and the issue might better be addressed under existing administrative procedures.

It is my understanding that the USDA is conducting a study of the casein import issue, and its findings should be available in June.

I would suggest that we review this problem again with the benefit of that report this summer.

Meanwhile, let us move ahead in taking this initial step in President Reagan's program to fight inflation by adopting S. 509.●

#### ADJUSTMENT OF PRICE SUPPORT FOR MILK

The PRESIDING OFFICER (Mr. GOLDWATER). Under the previous order, the hour of 3:30 p.m. having arrived, the Senate will now resume consideration of S. 509, which will be stated by title.

The legislative clerk read as follows:

A bill (S. 509) to amend Section 201 of the Agricultural Act of 1949, as amended, to delete the requirement that the support price of milk be adjusted semiannually.

The PRESIDING OFFICER. Who yields time?

Mr. BAKER. Mr. President, I suggest the absence of a quorum, with the time to be charged equally to the managers of the bill.

The PRESIDING OFFICER. The clerk will call the roll.

The legislative clerk proceeded to call the roll.

Mr. HELMS. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. HELMS. Mr. President, how much

time remains? Fifteen minutes, is that correct, equally divided?

The PRESIDING OFFICER. The vote will occur at 4 o'clock unless there is a vote in progress on the Melcher amendment, if that is offered.

Mr. HELMS. I thank the Chair.

I am not absolutely certain at this moment, Mr. President, whether the distinguished Senator from Montana is going to submit an amendment, and I wonder if I might make inquiry of him about that?

Mr. MELCHER. Mr. President, if the Senator will yield, we will have an amendment for the distinguished chairman of the Agriculture Committee to review to see whether it is acceptable.

I might state to the distinguished chairman that the preliminary information we have received from the Department of Agriculture concerning the outbreak of hoof-and-mouth disease in the United Kingdom is encouraging, and the fact that they have traced to the very farm where the disease broke out in the Isle of Wight those animals that were present on the farm at that time, and they have destroyed all of them, as is the method used in eradicating the disease at its outbreak.

Furthermore, the Department is assured by the veterinarians in England that samples of the milk which may have left that dairy farm prior to shutting off any movement from that farm have been determined as nearly as they can accurately portray to being negative for the live virus.

Although the live virus was found in milk on the farm or from the diseased animals on the farm, at the time the entire herd was slaughtered in order to prevent any further spread of the disease, they feel quite confident, the veterinarians in England feel quite confident, that none of the infected milk has gotten into the stream of trade in the United Kingdom.

The Department has assured me and has assured the chairman, I am sure, that continual scrutiny will be maintained by the veterinarians in England, and reviewed by our own animal disease quarantine and animal inspection forces within the Department of Agriculture, and will continue to provide surveillance also to prevent any possible spread of the disease to food products that may be coming into the United States.

I do have some concern as to whether or not the Department has adequate safeguards in place to make sure that the disease cannot be introduced into the United States. My amendment, which I will shortly show to the chairman and, hopefully, for his acceptance, will be along that line.

Mr. HELMS. Mr. President, will the Senator submit his amendment?

Mr. MELCHER. Mr. President, if the chairman will yield again, yes, I will show the Senator the amendment very quickly to see if it is acceptable.

Mr. HELMS. Mr. President, on my own time, I think I can allay the concern of the distinguished Senator from Montana. I have just received a letter from the Secretary of Agriculture, John R. Block, and let me read it into the RECORD:



DEPARTMENT OF AGRICULTURE,  
Washington, D.C., March 25, 1981.

Hon. JESSIE A. HELMS,  
U.S. Senate,  
Washington, D.C.

DEAR MR. CHAIRMAN: I understand that the Senate will be considering this afternoon an amendment to be offered by Senator Melcher from Montana which would require the Department to review and make changes to be certain that the procedures employed by the Department will assure that the United States remains free of foot and mouth disease. In order to satisfy any concerns that Members of the Senate might have on this matter, I will within thirty days submit a complete report on our procedures.

The Department of Agriculture recognizes the essential and important responsibility that it has in the protection of this nation against that dread disease. As Secretary I want you to know that I will do everything possible and leave no stone unturned to see that this mission is carefully carried out.

Sincerely,

JOHN R. BLOCK,  
Secretary.

Mr. President, obviously this eliminates the need for any amendment. The Department does not need to be required to do anything in this regard. It is voluntarily doing it. It recognizes the need for doing it, and a report will be submitted within 30 days. So I do hope the distinguished Senator from Montana will not offer his amendment.

I reserve the remainder of my time.

Mr. MELCHER. I think the chairman has performed very notably. I think the amendment we would offer would be along that line requiring a report of the procedures that are being followed.

Would the chairman mind reading that key sentence again on what the report will contain?

Mr. HELMS. I do not know which sentence the Senator considers the key sentence. I think all of it is. He says:

In order to satisfy any concerns that Members of the Senate might have on this matter I will within 30 days submit a complete report on our procedures.

Mr. MELCHER. May I interrupt the Senator, will the chairman yield to me, Mr. President?

Mr. HELMS. Certainly.

Mr. MELCHER. I think the procedures to which he is referring are the methods the Department uses to safeguard against the introduction of the disease into the United States; is that not correct?

Mr. HELMS. Yes, I think that is correct.

Mr. MELCHER. That is what I was asking the chairman to read. May I just look at the letter? That will be sufficient.

Mr. President, will the chairman yield to me?

Mr. HELMS. I yield the floor.

Mr. MELCHER. Mr. President, the amendment we have drafted and would ask the Senate to approve would be to require that the Department review their procedures and report back to us.

We would not have asked them to report back within 30 days. I think that is a little bit too fast. But this letter, dated today, by Secretary Block contains the very thoughts that we would have in our amendment, and completely satisfies me because what we would have asked for is that the Department must review their

procedures to assure that the United States remains free of the disease, and then report back to us.

I think the letter the chairman of the Committee on Agriculture has received from the Secretary accomplishes the very purpose of the amendment I would have offered, so I certainly will not offer an amendment.

I am delighted at this proper reply from the Secretary, and I hope the procedures, after the review, look as good to them as they have been describing them to me today.

Mr. President, I do want to again express to my colleagues in the Senate that I am extremely apprehensive about any procedure that allows the live virus of hoof-and-mouth disease to come into the United States. There is no reason why we should take that chance.

Some countries that provide us milk products have higher standards than others. But as of right now, as of today, the Department does not enforce anything more than this on the milk products that come into this country, that is, pasteurization, normal pasteurization, where the milk is heated to 75 degrees Centigrade for 15 seconds, which is all that is envisioned by many countries, and we do not insist on anything higher than that.

In the case of a foot-and-mouth disease where the live virus is shed in the milk and, therefore, does get into food products, simple pasteurization is not adequate.

The Department's procedures right now are to say that while they safeguard and identify against any milk product, including casein, introducing the disease into the United States, because they only have it go into the food products that humans are going to consume, well, that is not quite enough to satisfy me, knowing that often hoof-and-mouth outbreaks have occurred in areas simply because of food product that went into the garbage can or fed to hogs or got into contact with other animals, and the animals that were susceptible, picked up the virus and the disease was then introduced to the livestock or wild animals in that area.

The second point, the Department says is, "well, after all the virus will only remain alive in casein or cheese products for 84 days." Well, that is not very comforting to me either because 84 days, with modern transportation, that is a pretty long period of time.

So I think it is absolutely essential that we require—or in this case we do not need to require—the Department is volunteering to review their procedures, and in doing so I think or rather I believe strongly that the Department will tighten up on their procedures as they affect dairy products that come out of a hoof-and-mouth-disease country. That is exactly what I would like to accomplish, and I am delighted that the chairman has received this letter from Secretary Block. I commend him for that and I thank him for that because I believe it is a very positive and necessary step.

Mr. HELMS. Mr. President, I am grateful to my friend from Montana. I might

say to him that he disclosed he would not offer an amendment. He has said many things in his career as a Senator that pleased me, but none pleased me more than that. I am delighted he will not offer an amendment, and I further say that if there is any lapse in the implementation of this guarantee by the Department of Agriculture, I will join the Senator in insisting that they perform adequately.

I ask unanimous consent to insert in the RECORD a copy of the report that USDA made in response to questions raised yesterday by the Senator from Montana. I think that the Department has acted in an expeditious fashion to be responsive to Senator MELCHER's concerns. I want to commend the Secretary of Agriculture for his sincere efforts to address this important problem.

There being no objection, the material was ordered to be printed in the RECORD, as follows:

U.S. DEPARTMENT OF AGRICULTURE,  
Washington, D.C., March 25, 1981.

SENATOR JOHN MELCHER: Attached you will find two documents requested by you in relation to importation of dairy products and the current foot-and-mouth disease (FMD) situation in the United Kingdom.

The former of these is an opinion from the Department's Office of the General Counsel relative to authorities exercised by the Secretary in importing dairy products from FMD-infected countries.

The second document will update you on the most recent FMD outbreak in the United Kingdom and the action being taken by the Department as a result.

I believe these two papers will answer the questions you raised. In the event there are further issues which need to be addressed, we will be pleased to supply further information.

HARRY C. MUSSMAN,  
Administrator.

#### FOOT-AND-MOUTH DISEASE UPDATE: ISLE OF WIGHT SITUATION AND ANIMAL AND PLANT HEALTH INSPECTION SERVICE ACTIONS

The outbreak of foot-and-mouth disease (FMD) on the Isle of Wight occurred in dry dairy cows being held on pasture. No lesions were found in cows being milked nor were lesions noted in a small beef herd also located on the affected farm. To determine whether FMD virus had entered trade channels, milk samples from the farm were sent to the FMD World Reference Laboratory, Pirbright. No virus was found in the samples from the bulk tank or in samples collected at milkings prior to the day the entire herd was slaughtered. Samples of milk collected at the time of slaughter did contain virus; however, none of the milk was moved off the farm after FMD had been suspected several days earlier. All cattle on the farm (166 head) have been slaughtered and the carcasses disposed of.

Additional efforts are being made to assure the disease does not spread. All milk from other farms on the Isle of Wight is being heat treated as a precautionary measure to assure inactivation of any FMD virus. Some cattle shipped to the mainland from a farm near the outbreak were traced to a market in Dorset. These cattle were showing no lesions and had normal temperatures but the decision was made to slaughter them, again as a precautionary measure.

The U.S. has removed Great Britain from the list of countries free of foot-and-mouth disease. Consequently, any products or by-products (cheese, casein, lactalbumin, etc.) entering this country from Great Britain will have to meet the requirements for a country with FMD; this means products can only

move under permit and must be destined for use solely in human food products. The APHIS regulatory personnel at U.S. ports have already been notified of the change and will require the products and byproducts originating from U.K. markets since the FMD outbreak was confirmed meet our requirements.

U.S. DEPARTMENT OF AGRICULTURE,  
Washington, D.C., March 24, 1981.

Subject The Authority of the Secretary of Agriculture to Permit the Importation of Casein From Countries Designated as Being Infected With Foot-and-Mouth Disease Into the United States.

To Harry C. Mussman, Administrator, Animal and Plant Health Inspection Service.

This is in response to your request for a legal opinion concerning the authority of the Secretary of Agriculture to permit the importation of casein into the United States from countries infected with foot-and-mouth disease.

This office is not aware of any law which prohibits the importation of casein from any country, and it is therefore our opinion that the Secretary of Agriculture may permit the importation of casein into the United States.

The Tariff Act of 1930 (19 U.S.C. 1306), with certain limited exceptions, prohibits the importation into the United States of cattle, sheep, or other ruminants, or swine, or fresh, chilled or frozen meat of such animals from foreign countries in which rinderpest or foot-and-mouth disease exist, if the Secretary of Agriculture complies with certain specified procedures not applicable to this opinion. However, this Act does not apply to products other than meat or to milk and milk products such as casein.

Currently the Department has regulations in Title 9, Code of Federal Regulations, section 94.16 which place certain restrictions on the importation of casein into the United States. These regulations were promulgated pursuant to section 2 of the Act of February 2, 1903 (21 U.S.C. 111) which vests in the Secretary broad authority "to make such regulations and take such measures as he may deem proper to prevent the introduction or dissemination of the contagion of any contagious, infectious, or communicable disease of animals and/or live poultry from a foreign country . . . and to seize, quarantine, and dispose of any . . . meats, hides, or other animal products coming from an infected foreign country to the United States . . . whenever in his judgment such action is advisable in order to guard against the introduction or spread of such contagion." This Act gives the Secretary of Agriculture authority to regulate the importation of casein as long as such regulation is necessary to guard against the introduction or spread of the contagion of any contagious, infectious, or communicable disease of animals and/or live poultry in interstate or foreign commerce. The Secretary of Agriculture is not, however, required to prohibit the importation of any animal product including casein. The restrictions on and the requirements for the importation of casein are, of course, matters for determination by your agency.

JAMES MICHAEL KELLY,  
Acting General Counsel.

Mr. HELMS. Mr. President, I suggest the absence of a quorum, which will be called off at 4 o'clock.

The PRESIDING OFFICER. The clerk will call the roll.

The bill clerk proceeded to call the roll.

Mr. HUDDLESTON. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. HUDDLESTON. Mr. President, in this last minute before the vote on this bill, S. 509, I would just like to call the attention of the Senate to the fact that this is the first piece of legislation that has come to the floor from the Senate Committee on Agriculture, Nutrition, and Forestry and, therefore, the first piece of legislation to come under the new leadership of that committee, the distinguished Senator from North Carolina (Mr. HELMS).

The PRESIDING OFFICER. The Chair will observe that the hour of 4 o'clock has arrived.

Mr. HUDDLESTON. Mr. President, I ask unanimous consent that I be allowed to continue for 1 minute.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. HUDDLESTON. It is also the first piece of legislation submitted by the current administration that is designed to restrain the growth of Federal expenditures. This one relates to farming, to agriculture, and in particular, of course, to the dairy farmers. A vote for this legislation is not a vote in any way against the dairy farmers of this country.

I think all of us can agree that we need a good dairy price support program. This vote is one which actually will help preserve the program because it helps keep it from getting too far out of balance and too expensive to the American people.

So I support the legislation that is before us. I support the effort to restrain spending and I support our agriculture segment. We will work toward making sure that as we go through the next months that we do develop a program that will assure that we continue to have a stable dairy industry in this country.

The PRESIDING OFFICER. The Senator's 1 minute has expired.

The hour of 4 o'clock having arrived, the question is on the engrossment and third reading of the bill.

The bill (S. 509) was order to be engrossed for a third reading and read the third time.

The PRESIDING OFFICER. The bill having been read the third time, the question is. Shall it pass? On this question, the yeas and nays have been ordered and the clerk will call the roll.

The assistant legislative clerk called the roll.

Mr. BAKER. I announce that the Senator from Florida (Mrs. HAWKINS), the Senator from New Hampshire (Mr. HUMPHREY), the Senator from Indiana (Mr. LUGAR), and the Senator from Alaska (Mr. STEVENS) are necessarily absent.

I further announce that, if present and voting, the Senator from New Hampshire (Mr. HUMPHREY), and the Senator from Florida (Mrs. HAWKINS) would each vote "yea."

Mr. CRANSTON. I announce that the Senator from Connecticut (Mr. DODD), the Senator from Louisiana (Mr. LONG), and the Senator from New Jersey (Mr. WILLIAMS) are necessarily absent.

The result was announced—yeas 88, nays 5, as follows:

[Rollcall Vote No. 40 Leg.]

YEAS—88

Abdnor	Exon	Mitchell
Andrews	Ford	Moynihan
Armstrong	Garn	Murkowski
Baker	Glenn	Nickles
Baucus	Goldwater	Nunn
Bentsen	Gorton	Packwood
Biden	Grassley	Pell
Boren	Hart	Percy
Boschwitz	Hatch	Pressler
Bradley	Hatfield	Pryor
Bumpers	Hayakawa	Quayle
Byrd	Hefflin	Randolph
Byrd, Robert C.	Heinz	Riegle
Cannon	Helms	Roth
Chafee	Holings	Rudman
Chiles	Huddleston	Sarbanes
Cochran	Inouye	Sasser
Cohen	Jackson	Schmitt
Cranston	Jepsen	Simpson
D'Amato	Johnston	Specter
Danforth	Kassebaum	Stennis
DeConcini	Kennedy	Symms
Denton	Laxalt	Thurmond
Dixon	Levin	Tower
Dole	Mathias	Tsongas
Domenici	Matunaga	Wallop
Durenberger	Mattingly	Warner
Eagleton	McClure	Welcker
East	Meicher	Zorinsky
	Metzenbaum	

NAYS—5

Burdick	Leahy	Stafford
Kasten	Proxmire	

NOT VOTING—7

Dodd	Long	Williams
Hawkins	Lugar	
Humphrey	Stevens	

So the bill (S. 509), as amended, was passed as follows:

S. 509

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That section 201 of the Agricultural Act of 1949, as amended (7 U.S.C. 1446), is further amended by deleting subsection (d).

SEC. 2. It is the sense of the Senate that the restrictions on the exportation of agricultural commodities to the Union of Soviet Socialist Republics should be terminated.

SEC. 3. It is the sense of the Senate that no agricultural commodities produced in the Union of Soviet Socialist Republics should enter the United States during any period during which the President imposes restrictions on, or prohibits, the export of grain or any other agricultural commodity to the Union of Soviet Socialist Republics (including the restrictions on the exportation of agricultural products to such country initiated on January 7, 1980).

Mr. HELMS. Mr. President, I move to reconsider the vote by which the bill was passed.

Mr. BAKER. I move to lay that motion on the table.

The motion to lay on the table was agreed to.

Mr. HATCH addressed the Chair.

The PRESIDING OFFICER. The Senator from Utah.

#### THE BUDGET PROBLEMS

Mr. HATCH. Mr. President, tomorrow we begin one of the first floor approaches toward trying to resolve the budget problems that we have all been so concerned about. I think most people in our country today are not aware that we are really not cutting the budget of the United States in the literal sense. What we are doing is cutting the increases in the budget which have gone up at escalated rates.



For 45 of the last 51 years we have failed to balance the budget of the United States of America. As a matter of fact, I think our first \$100 billion budget was in 1962; our first \$200 billion budget was in 1972, 10 years later; the first \$400 billion budget was in 1976; and today we are facing a \$695 billion budget, if we are lucky, in fiscal year 1982.

I think our President has had no choice other than to try to get this free spending under control.

Back in 1976, the national debt was a little over \$650 billion. The interest against that debt, as I recall, was around \$42 billion, or thereabouts. I remember when we were running at that time we thought that was a horrendous interest debt on an annual basis.

Today, in fiscal year 1982, the interest is approaching \$100 billion and the interest is calculated to be in the neighborhood of \$106 billion for fiscal year 1982.

I think my friend Dave Stockman indicated that we have jumped in interest payments in 1 year \$35 billion. He said even the big spending Congress would have a rough time spending that much money, although I would have to dispute him on that particular last statement. I think the big spending Congress can find all kinds of innovative ways to spend money. I think that we have to get spending under control.

One of the worst aspects of the Federal budget, one that I fought against ever since I have been here in the U.S. Senate, happens to be the off budget spending items.

Today as we enter into the 6th month of the fiscal 1981 year, we are \$55 billion in deficit, and that does not include the \$23 billion in off budget deficits that the Congress in its infinite wisdom decided cannot be brought on budget.

In other words, we are around \$78 billion in deficit. If we do not enact the Reagan proposal, it will go to \$90 billion in deficit for fiscal year 1981.

Now, what makes those figures even more bizarre is, as I said on the Budget Committee last year in marking up the first concurrent budget resolution by May 15, 1980, the Budget Committee came out with a lot of hoopla that they had balanced the budget for the first time in some 20 years. There were a number of us on the committee who said they were using phony econometric models; that they had not balanced the budget; that they were at least \$30 billion in deficit; that the deficits were rising, and that did not even include the off budget spending deficits of the then \$23 billion which is today \$23 billion.

We were laughed at, ridiculed, and almost drummed out of town because of making those particular comments.

By August of last year, the Budget Committee pretty well had to admit that they were at least \$30 billion in deficit and that the so-called grand balanced budget of 1980 was not so grand, nor was it balanced, nor was it anywhere near balanced.

As we all know, instead of meeting the by-law deadline of September 15, 1980—September 15 date being the date where all second concurrent budget resolutions have to be passed—the Congress refused to do that, refused to meet the laws of

this country and pass a second concurrent budget resolution, and acted pursuant to a continuing resolution which threw the whole matter over until the lame duck session.

When the startling election took place, there was not much enthusiasm about coming up with a second concurrent budget resolution then. And, as we all know, they even deferred the debt ceiling limitation lift off until February of this year when we had to increase it to \$965 billion, good only until about October or November of this year.

In other words, this year is going to be such a banner year that it will be the first year wherein we transcend the trillion dollar budgetary deficit, with all of the interest charges that are stacked up against it.

Mr. President, on top of all of this, we find that not only is spending running out of control, not only is the Congress inept in working within the budget process or at least has been up to now, but now we have testimony today by Alice Rivlin, the head of the Congressional Budget Office, based upon the same faulty econometric model she has been using all of these years, indicating, according to her static economic analysis, that the Reagan program will amount to major deficits even in 1984.

Now, I would like to spend just a few seconds talking about the econometric models that have been used by the Congressional Budget Office of some 200 people, working at the Federal Government top pay scales for the most part, many economists, many top professionals, who have, in my opinion, been deceiving the American people because they only look at the demand side of the econometric equation and will not look at the supply side of the econometric equation and what will happen if, in fact, you have productivity or other tax rate reductions to stimulate the economy on the supply side of the economy to create a dynamic econometric situation or economy, instead of a static economy from which we have been suffering over these last number of years.

I think it is really important that we all consider that these econometric models used by the CBO have been so wrong in the past that how can we give them any credibility in the future? And yet I suspect that many in our media will, because the Congressional Budget Office is so prestigious and has so many Ph. D. economists working for it, buy the line that the Reagan program is not going to be successful or work.

In order to buy that line, you would have to presume a static economy continuing, even though we have the stimulative effect of budget cuts—or should I say additional spending budget cuts—productivity oriented tax rate reductions in the 5-10-5 approach that President Reagan has indicated in his message to the joint session of Congress—and, I might add, the 10-5-3 accelerated depreciation which should help many of our businesses in society, although not those who do not make profits—the reduction in the overregulatory burden which should cut billions of dollars of costs out of the programs that businesses

are trying to present and produce, and, of course, the gradual phase back of the monetary supply which should stabilize our monetary supply and quit the debauchment of our currency which has been occurring over the last 100 years.

I recall last year in that budget markup that we got in a horrendous fight because somebody who was sympathetic to the econometric fight I had been waging in the committee sent me a copy of a memorandum between the top staff director of the Budget Committee and Senator Muskie.

That memorandum indicated that Mrs. Rivlin was scared to death or extremely concerned about my request for hearings on the econometric models because she realized that if we got into hearings on the econometric models she would have to admit that the models they are using are slanted and biased in favor of Federal Government spending, rather than stimulating effects to the supply side or the private sector.

Now, I am extremely concerned that the Congressional Budget Office has become a major political battleground and has been used as a major political football to advance the outmoded, shopworn theories of the past, certainly of the past 50 years, that have been afflicting and besetting this country.

I suppose if you believe that Federal Government deficit financing and spending really helps the economy, you could point to the years when we had a low monetary supply and low inflation. Certainly throwing more dollars into the economy under those circumstances would look like it is helping the economy. But that particular philosophy has brought us to where we are today—and where we are today is in trouble.

We are in trouble primarily because of the same type of econometric modeling, econometric approaches as Mrs. Rivlin has been articulating on the Hill these days. I for one am tired of it. I like her personally. I think she is a very intelligent and bright woman, but she is totally stratified, in my opinion, by harkening to the past and on the outmoded theories of the past which have been proved as unworkable. She has been totally unwilling to look toward the theories of the future, the supply side theories that approach us that really could pull this country out of its economic morass and help to save it.

I, for one, intend to support the Reagan program to the utmost limit that I can.

On the Labor and Human Resources Committee, we have cut, depending upon which set of econometric assumptions you use, an authorization of \$11 billion out of our total authorizing functions. And that committee happens to be one of the big authorizing committees on the Hill. I think we have some 61 reauthorization bills that have to be brought to the floor before May 15 of this year. It is almost an overwhelming experience to try to do this.

I believe that, except for the little over \$500 million in outlays and about \$998 million in authority, the Labor and Human Resources Committee has done a tremendous job. We are a little over

a billion dollars in authority and a little over half a billion dollars in outlays above where President Reagan wanted us to cut. But we have cut, in essence, \$11 billion on a committee that has never cut a dime, in my opinion, since its existence. That committee has only created legislation, created spending programs, created social spending programs to the degree that all of us know that we have to face the music and face the responsibilities that have come from committees that really have run away as far as legislative programs have been concerned.

With regard to the approximately \$1 billion that we were unable to cut, I think we were justified in not cutting those, because \$353 million was for the handicapped, people who cannot help themselves; \$345 million happened to be for block grants because we do not believe we can get the implementing legislation enacted in time to be able to prevent the deterioration in program moneys for the various States and local governments. The remaining \$400 million we put into youth employment in the private sector and CETA. We feel those three items out of the literally thousands of items that we had to consider are justified.

Beyond that, I believe our committee will vote to maintain the Reagan cuts. And I for one will do everything we possibly can to do so.

In the meantime, I again renew my request that we have hearings in the Budget Committee, maybe the Finance Committee, perhaps even in the Appropriations Committees concerning the econometric models being used by the Congressional Budget Office, because they are biased and slanted toward one side of the econometric equation to the extent that they are really unjustifiable in the overall economic programs of this country, certainly the overall economic planning programs of this country.

Mr. President, I hope that we will support the President's program. I do believe that the people understand that we are in trouble and that we must do something about it. Although we may differ with regard to individual spending and cut amounts, I think most all of us realize that something has to be done. Now is the time for the leadership and for us to follow the leadership and do everything we possibly can to not only get spending under control but to give people tax breaks so that we can have more productivity in this country and more growth and to reduce the regulatory burden which is stifling this country to the nth degree, and to put back the monetary supply so we quit debauching our currency.

Mr. MATHIAS addressed the Chair.

The PRESIDING OFFICER. The Senator from Maryland.

#### CONGRESSIONAL BUDGET RESOLUTION

Mr. MATHIAS. Mr. President, as we consider the resolution before the Senate to revise the Federal Government's 1981 budget and to shape the 1982 budget, I am reminded of E. B. White's sage definition of democracy:

Democracy is the recurrent suspicion that more than half of the people are right more than half of the time.

In November the American people expressed themselves in answer to the simple question, "Are you better off now than you were 4 years ago?" The people spoke. Judging from the budget resolution now before the Senate, I would say that the Senate Committee on the Budget heard their answer and concurs with E. B. White's suspicion.

The budget resolution begins a long legislative effort to fire up the engines of economic development and to lift the American economy out of stagnation. I applaud that goal.

I do not expect that the budget proposed by this resolution will solve all of our economic problems and it will not solve any problem immediately. It took many years for our economy to reach this low point. It is only realistic to expect that it will take time for recovery.

There are many causes of our inflationary economic problems. Expansion of the Federal deficit, declining productivity, overregulation, high-priced imported energy, continuing trade deficits and inconsistent monetary policies all contribute to the fundamental instability of the economy. Too much Government spending is the specific cause of inflation addressed by this resolution, but let us not disregard these other causes.

To put a brake on unreasonable spending, to reverse runaway Government expansion, to give individuals and industry greater incentive for investment—these are necessary actions if we are to spur economic growth and thereby benefit all segments of the American society.

I too recognize that excessive Government spending and growing Federal deficits have shaped the economic climate. The idea that America can live beyond her means and yet expect a constantly rising standard of living is no longer tenable. Surely Government must set the pace and the standard for budget responsibility.

As chairman of the Senate Committee on Rules and Administration, I am particularly concerned about reducing Senate spending. We cut the budget of the Rules Committee by more than 10 percent and we achieved an overall cut of 10 percent among all Senate committee budgets. The Senate has set a positive example for the rest of the Federal Government.

The budget resolution is a sturdy effort to change the national psychology, and I welcome that. Individuals and businesses decide to work, to save and to invest based upon their personal economic assessments and upon their perceptions of the national effort to invigorate the economy.

This budget resolution and its reconciliation provisions are dramatic statements of congressional intent to rein in Government spending. Controversy is bound to swirl around specific aspects of the proposal in the days and weeks ahead.

The traditional ideas about public spending have now been ordered to stand up and account for themselves. That is a useful exercise. Certainly there have been more than enough public mistakes

in recent years. But as we conduct this review, we must take care not to throw the baby out with the bath water.

It would be unfortunate if the rallying cry against Government extravagance became a cry against all Government activities. It is the ineffective, inefficient or wasteful Government programs that must be addressed. Many legitimate, constructive, and responsive Government activities serve the public interest. These must not be slashed with an ax when a judicious trim from a paring knife would be adequate.

The aim is to make Government programs cost-effective and responsive to genuine need.

I believe that the American people can live and prosper with the overall spending ceilings set by the budget resolution. I do not accept all of the program budgets suggested by the Budget Committee. In fact, when the Senate considers specific programs in the 13 individual appropriations acts later this year, I expect to support some alternative funding levels and to propose alternative cuts, as requested by President Reagan when he submitted his budget. We should all recognize that the possibilities for increases in program funding beyond the President's proposals will be slim indeed without offsetting reduction in other programs.

We must continue to meet our obligations to those who cannot work or cannot find work and who are unable to improve impoverished circumstances. I do not for one moment imagine that budget cutting will be easy. My experience in cutting the budget of the Senate's own committees showed how hard it can be.

Every reduction we consider may result in some discomfort, perhaps even pain. The challenge before us, therefore, is to use limited public funds creatively and efficiently and in the most cost-effective ways possible; and if pain is to be inflicted, to inflict it on those who can best stand the pain.

The PRESIDING OFFICER. Who seeks recognition?

Mr. DOMENICI. Mr. President, I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The assistant legislative clerk proceeded to call the roll.

Mr. BAKER. Mr. President, I ask unanimous consent that the order for the quorum call be dispensed with.

The PRESIDING OFFICER. Without objection, it is so ordered.

#### ROUTINE MORNING BUSINESS

Mr. BAKER. Mr. President, I ask unanimous consent that there now be a period for the transaction of routine morning business, not to exceed 15 minutes in length, in which Senators speak for not more than 5 minutes each.

The PRESIDING OFFICER. Without objection, it is so ordered.

#### MESSAGES FROM THE PRESIDENT

Messages from the President of the United States were communicated to the



Senate by Mr. Saunders, one of his secretaries.

#### EXECUTIVE MESSAGES REFERRED

As in executive session, the Acting President pro tempore laid before the Senate messages from the President of the United States submitting a sundry nomination and a treaty which were referred to the Committee on Foreign Relations.

(The nomination and treaty received today are printed at the end of the Senate proceedings.)

#### EXECUTIVE REPORTS OF COMMITTEES

The following executive reports of committees were submitted:

By Mr. DOLE, from the Committee on Finance:

Beryl Wayne Sprinkel, of Illinois, to be Under Secretary of the Treasury for Monetary Affairs.

Norman B. Ture, of Virginia, to be Under Secretary of the Treasury.

#### INTRODUCTION OF BILLS AND JOINT RESOLUTIONS

The following bills and joint resolutions were introduced, read the first and second time by unanimous consent, and referred as indicated:

By Mr. GOLDWATER (for himself and Mr. DeCONCINI):

S. 794. A bill to amend the National Trails System Act to designate the General Crook Trail in Arizona and the Beale Wagon Road in Arizona, for study to determine the feasibility and desirability of their designation as national historic trails; to the Committee on Energy and Natural Resources.

By Mr. THURMOND (for himself and Mr. DeCONCINI):

S. 795. A bill to amend the Sherman Act and the Clayton Act to exclude from the application of such acts certain conduct involving exports; to the Committee on the Judiciary.

By Mr. ZORINSKY:

S. 796. A bill entitled "Rural Telephone Bank Amendment Act of 1981"; to the Committee on Agriculture, Nutrition, and Forestry.

By Mr. MATHIAS (for himself and Mr. SARBANES):

S. 797. A bill to provide for the issuance of a postage stamp to commemorate the 200th anniversary of the election of John Hanson of Maryland as first President of the United States in Congress assembled; to the Committee on Governmental Affairs.

By Mr. RIEGLE (for himself and Mr. LEVIN):

S. 798. A bill to provide a program of emergency unemployment compensation; to the Committee on Finance.

By Mr. HATCH:

S. 799. A bill to amend the Public Health Services Act to revise and extend titles VII and VIII of such act with regard to training in health professions and nursing, and for other purposes; to the Committee on Labor and Human Resources;

S. 800. A bill to amend the Public Health Services Act to revise provisions relating to research in health statistics and health services, support for medical libraries, and the National Research Service Awards, and for other purposes; to the Committee on Labor and Human Resources;

S. 801. A bill to amend the Public Health Services Act to revise provisions relating to the National Health Service Corps; to the Committee on Labor and Human Resources.

By Mr. ZORINSKY:

S. 802. A bill to remove the Soviet grain embargo unless the President takes certain action; to the Committee on Banking, Housing, and Urban Affairs.

By Mr. DURENBERGER:

S. 803. A bill to authorize construction of a project for flood control and other purposes on the South Fork Zumbro River at Rochester, Minn.; to the Committee on Environment and Public Works;

S. 804. A bill to modify the project for flood protection at Winona, Minn.; to the Committee on Environment and Public Works.

#### STATEMENTS ON INTRODUCED BILLS AND JOINT RESOLUTIONS

By Mr. GOLDWATER (for himself and Mr. DeCONCINI):

S. 794. A bill to amend the National Trails System Act to designate the General Crook Trail in Arizona and the Beale Wagon Road in Arizona, for study to determine the feasibility and desirability of their designation as national historic trails; to the Committee on Energy and Natural Resources.

##### NATIONAL HISTORIC TRAILS LEGISLATION

● Mr. GOLDWATER. Mr. President, I am introducing today, for myself and my colleague from Arizona, Mr. DeCONCINI, a bill to provide for a study to determine the feasibility and desirability of designating as national historic trails, the General Crook Trail in Arizona and the Beale Wagon Road in Arizona.

These two old roads meet the criteria established in the National Parks and Recreation Act of 1978. Their routes are known and are in a remarkable state of preservation. Both have a high degree of recreation potential as hiking and riding trails through some of northern Arizona's most scenic country.

Of the two, the Crook Trail is the most developed at this time. It goes from Prescott, across the Mogollon Rim to Fort Apache, and even further on to Fort Craig in New Mexico. It was the chief supply and tactical route to Fort Apache during Crook's first campaign against the Apaches. In addition, the trail has been named Arizona's first State Historic Trail by the State parks board.

The Beale Wagon Road was probably the first federally funded road in the far Southwest, and constructed in 1858-59 by Lt. Edward Beale, famed for the Army's experiment in Arizona with camels. It rivaled the California cut-off of the Oregon Trail for immigrant travel both before and after the Civil War. Its route is closely followed by Highway 66 across Oklahoma, New Mexico, and Arizona.

It gives me great pleasure to reintroduce this bill at the request of the Grand Canyon Council of the Boy Scouts of America. This is their special project and as it happens, locating the Crook Trail for preservation and public use was the Council's bicentennial project. The work was done under the guidance of Dr. Eldon Bowman, of Northern Arizona University. These young men

and Dr. Bowman have done a fine job and we are very proud of their contributions to Arizona's history. ●

By Mr. THURMOND (for himself and Mr. DeCONCINI):

S. 795. A bill to amend the Sherman Act and the Clayton Act to exclude from the application of such acts certain conduct involving exports; to the Committee on the Judiciary.

##### FOREIGN TRADE ANTITRUST IMPROVEMENTS ACT OF 1981

Mr. THURMOND. Mr. President, I am today introducing the Foreign Trade Antitrust Improvements Act of 1981. This bill is identical to a bill cosponsored in the House, H.R. 2326, by the chairman and ranking Republican member of the House Judiciary Committee, Mr. ROBINSON and Mr. McCLOREY.

The bill would amend the Sherman and Clayton Acts to clarify the international application of U.S. antitrust laws. Specifically, the bill provides that the Sherman Act would prohibit only conduct which has a direct and substantial effect on commerce within the United States, or on a domestic firm competing for foreign trade. The bill also would protect joint ventures that are limited to export trading from challenges under section 7 of the Clayton Act.

The purpose of this legislation is to aid the efforts of American business to compete vigorously and effectively throughout the world. The bill is designed to relieve the antitrust concerns of American businessmen over their conduct which primarily affects foreign, rather than domestic, markets. It would allow them to compete on more nearly equal terms with other great industrial and commercial powers.

This bill, therefore, insures the proper focus and direction for our antitrust laws. Since the purpose of these laws is to protect our domestic markets and our consumers against anticompetitive conduct, there is no good reason to have our antitrust laws applicable to export transactions where direct and substantial domestic anticompetitive effects are nonexistent. It should be noted that this bill does not and should not try to relieve American business from compliance with the antitrust laws of other countries in the world where U.S. companies do business.

At the present time, the Federal courts consider a variety of factors in deciding whether to assert Sherman Act jurisdiction over conduct occurring in the course of foreign trade. Such factors include the effect of the course of conduct on commerce in the United States; the relative interests of the United States vis-a-vis those of the country where the conduct or the effects occur; the nationality or allegiance of the parties; and the extent to which there is an explicit purpose to harm or affect American commerce.

This bill would not remove these factors from consideration in deciding whether to apply our antitrust laws to any particular conduct. It would, however, provide that before these or any other factors may be considered, there must be a threshold determination that the conduct has had the requisite direct

and substantial effect on commerce in this country. Without this determination at the outset, no Federal court should entertain a Sherman Act suit.

Section 3 of the bill removes from the reach of the Clayton Act joint ventures formed to conduct export trade. Rather, such joint ventures, like other concerted activity in foreign trade, would be analyzed solely under the Sherman Act by looking to their actual effects. Therefore, since section 7 of the Clayton Act is designed to eliminate, in their incipency, combinations which "may" tend to lessen competition at some future date, it could not be used to challenge joint ventures. By analyzing export trading joint ventures in terms of their actual direct and substantial effect on U.S. commerce, such agreements will not be frustrated on the basis of a speculative fear that they may later adversely affect domestic commerce.

I am hopeful, Mr. President, that this measure to revitalize America's competitive position worldwide will receive support from both sides of the aisle.

Mr. President, I ask unanimous consent that the bill be printed in the RECORD.

There being no objection, the bill was ordered to be printed in the RECORD, as follows:

S. 795

*Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act may be cited as the "Foreign Trade Antitrust Improvements Act of 1981".*

Sec. 2. The Sherman Act (15 U.S.C. 1 et seq.) is amended by inserting after section 6 the following new section:

"Sec. 7. This Act shall not apply to conduct involving trade or commerce with any foreign nation unless such conduct has a direct and substantial effect on trade or commerce within the United States or has the effect of excluding a domestic person from trade or commerce with such foreign nation."

Sec. 3. Section 7 of the Clayton Act (15 U.S.C. 18) is amended by adding at the end thereof the following:

"This section shall not apply to joint ventures limited solely to export trading, in goods or services, from the United States to a foreign nation."

By Mr. ZORINSKY:

S. 796. A bill entitled "Rural Telephone Bank Amendment Act of 1981"; to the Committee on Agriculture, Nutrition, and Forestry.

RURAL TELEPHONE BANK AMENDMENT ACT OF 1981

Mr. ZORINSKY. Mr. President, I am introducing legislation today to extend the authorization for the Federal purchase of class A stock of the Rural Telephone Bank. This bill will continue the annual \$30 million Federal purchase of stock for another 10 years. In addition, the bill will delay the repayment by the Bank of the Federal money until after September 30, 1995.

The Rural Telephone Bank was established by Public Law 92-12 which authorized the Federal Government to purchase annual increments of \$30 million of class A stock of the bank. The money from this purchase, when added

to funds from other sources, produces loan funds that bear interest at an intermediate cost level. These interest levels are designed to base the cost of money on the ability of the small rural telephone companies to pay. This in turn reduces the need for the low cost insured programs of the Rural Electrification Administration.

Recently, studies have shown that without further purchases of class A stock by the Government, interest rates for Rural Telephone Bank loans would escalate dramatically, forcing a number of telephone companies who currently meet the criteria for a Rural Telephone Bank loan into the lower interest insured program. The net result would be an increased cost to the Government.

During its short history the bank has proven successful in meeting the demand for loan funds for the development of rural telephone service. However, accelerating technological advances in telecommunications will make a much stronger source of intermediate cost financing needed in the future if rural areas are to maintain communications services and facilities equivalent to those available in urban areas.

The record of the telephone companies in their commitment to serve our farm families, and the accomplishments of the Rural Electrification Administration and the Rural Telephone Bank convinces me that this legislation is needed to assure the continuation of this most successful program. To date, the Rural Telephone Bank has provided over \$1.3 billion in loan funds to improve existing telephone plants and to build new telecommunication facilities in the remote areas of our Nation. It is estimated that more than 12 million persons are presently served by these facilities.

Since the Federal Government first provided funds for the development of rural telephone systems in 1949, much has been accomplished. There is complete agreement that, without the REA and the moneys and the technical expertise it has provided, the public goal of universal service, or single-party telephone service in every home, could not have come as far as it has. But there is still much to be done. There remain many locations in rural America where this goal has not been reached. Furthermore, the enhanced services now being offered in urban and suburban America must of necessity, be made available to rural America if they are to be brought into the telecommunications mainstream of this country.

Mr. President, I urge my colleagues to join me in working toward speedy passage of this bill. I ask unanimous consent that the text of this bill and a copy of the Comptroller General's report to Congress on the Rural Telephone Bank for fiscal year 1979 be printed in the RECORD.

There being no objection, the bill letter and the report were ordered to be printed in the RECORD, as follows:

S. 796

*Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this*

Act may be cited as the "Rural Telephone Bank Amendment Act of 1981".

Sec. 2. The Rural Electrification Act of 1936, as amended (7 U.S.C. 901-950 b), is further amended as follows:

(a) The second sentence of section 406(a) is amended by inserting after "thereafter" the words "but not later than fiscal year 1991", and by striking "\$300,000,000" and inserting in lieu thereof "\$600,000,000".

(b) The first sentence of section 406(c) is amended by striking "September 30, 1985" and inserting in lieu thereof "September 30, 1995" and by striking "and after the amount of class A and class B stock issued totals \$400,000,000".

COMPTROLLER GENERAL OF THE UNITED STATES, Washington, D.C.

To the President of the Senate and the Speaker of the House of Representatives:

This report summarizes the results of our examination of the financial statements of the Rural Telephone Bank, Department of Agriculture, for the fiscal year ended September 30, 1979.

The financial statements for the year ended September 30, 1978, which are presented for comparative purposes only, were not examined by us. Therefore, we do not express an opinion on the 1978 statements.

We made our examination pursuant to the Government Corporation Control Act (31 U.S.C. 841).

Copies of the report are being sent to the Director, Office of Management and Budget; the Secretaries of Agriculture and the Treasury; and the Governor, Rural Telephone Bank.

ELLMER B. STAATS, Comptroller General of the United States.

#### REPORT

##### CHAPTER 1—INTRODUCTION

Public Law 92-12 dated May 7, 1971, established the Rural Telephone Bank (RTB) to make loans for the construction, improvement, expansion, acquisition, and operation of telephone lines, facilities, or systems in rural areas. The law amended the Rural Electrification Act of 1936 (7 U.S.C. 901) which, since 1949, has authorized the Administrator of the Rural Electrification Administration (REA), Department of Agriculture, to make loans for essentially the same purposes as the REA telephone program, that is, furnishing and improving telephone service in rural areas. To the extent practicable, RTB is to obtain funds from non-Federal sources and to conduct its operations on a self-sustaining basis.

In fiscal year 1979 RTB loaned \$130 million to rural telephone systems. It has loaned \$1.2 billion since its inception. The amounts borrowed from the U.S. Treasury, interest earned on loans, and proceeds from the sale of stock are RTB's primary sources of funds.

##### Management and administration

RTB, an agency of the Federal Government, is subject to the direction of the Secretary of Agriculture. The Administrator of the Rural Electrification Administration, who is also the Governor of RTB, is RTB's chief executive officer.

RTB has a 13-member board of directors which is responsible for its management. The Administrator of REA, the Governor of the Farm Credit Administration, five Presidential appointees, and six people elected by RTB's stockholders serve on the board. RTB has no employees; however, the RTB operations are performed by REA employees who also have similar responsibilities for REA operations.

##### Capitalization

RTB issues three classes of capital stock: (1) class A to the Government, (2) class B to RTB borrowers, and (3) class C to RTB



borrowers, organizations eligible to borrow, and organizations controlled by borrowers or eligible borrowers.

#### Class A stock

Class A stock has a par value of \$1 a share and is issued, at par, only to the Administrator of REA on behalf of the United States. The United States provides money for the purchase of class A stock by REA. Public Law 92-12 authorizes the Congress to appropriate up to \$30 million annually for the purchase of class A stock until RTB has issued \$300 million of class A stock. As of September 30, 1979, RTB had \$247,500,000 of class A stock outstanding.

Public Law 92-12 also authorizes RTB to pay the United States a 2-percent annual return on the class A stock outstanding. This return is cumulative and must be paid from RTB's income. In fiscal year 1979 RTB paid \$4.9 million to the U.S. Treasury.

RTB must retire its class A stock as soon as practicable after September 30, 1985, as long as its Board of Directors determines that such retirement will not impair RTB's operations.

#### Class B stock

Class B stock has a par value of \$1 a share. Borrowers must purchase, at par, class B stock equaling 5 percent of the amount borrowed excluding the amounts borrowed to purchase such stock. As of September 30, 1979, RTB had \$56 million of class B stock outstanding. Although class B stockholders do not receive dividends, they receive annual patronage refunds in the form of additional shares of class B stock. RTB's Board of Directors determines the amount of the patronage refund, which is made from net income after deducting the return on class A stock, cash dividends on class C stock, and any addition to the reserve for contingencies. In fiscal year 1979 RTB issued \$3.7 million of class B stock as a patronage refund.

#### Class C stock

Class C stock has a par value of \$1000 a share and is issued at par only to borrowers; to corporations and public bodies eligible to borrow; or to organizations controlled by such borrowers, corporations, and public bodies. As of September 30, 1979, RTB had \$548,000 of class C stock outstanding.

Class C stockholders may be paid dividends from RTB's income if the Board of Directors declares such dividends. The Board can only declare dividends on class C stock when income exceeds the 2-percent return on class A stock. Until all class A stock is retired, the dividend on class C stock cannot exceed the average rate of interest RTB pays to borrow money. In fiscal year 1979 RTB paid \$32,820 in dividends on class C stock.

#### Conversion of ownership, operation, and control of the bank

When 51 percent of the maximum amount of class A stock issued and outstanding at any time after September 30, 1985, has been retired:

The powers and authority of the Administrator of REA will be vested in RTB's Board of Directors, and the Board will select a new Governor for RTB.

The five Board members appointed by the President will no longer be members of the Board.

RTB will no longer be a U.S. agency.

RTB will continue as an instrumentality of the United States and a banking corporation.

When all class A stock has been retired, RTB loans will not be subject to restrictions imposed by Public Law 92-12; however, after that time, the Congress can continue to review RTB's operations.

#### CHAPTER 2—OPERATIONS

##### Borrowing power

Public Law 92-12 authorizes RTB to obtain

funds by selling its bonds, debentures, notes, and other evidences of indebtedness (collectively called telephone debentures). RTB's Board of Directors determines when telephone debentures may be issued, their interest rate, and other terms and conditions. The amount of outstanding telephone debentures may not exceed 20 times RTB's paid-in capital and retained earnings.

On June 30, 1972, Public Law 92-324 gave the Secretary of the Treasury the authority to purchase RTB's telephone debentures. The Secretary of the Treasury determines the rate of return that must be realized on any telephone debentures purchased. The current average yield on outstanding marketable U.S. securities with comparable maturity must be considered.

At September 30, 1979, cumulative debenture borrowings from the Secretary of the Treasury amounted to \$394,868,000 at various interest rates, as shown below.

Borrowings from Treasury from inception through Sept. 30, 1979	
Interest rate:	
7.250.....	\$5,071,000
7.375.....	7,667,000
7.500.....	10,017,000
7.625.....	10,461,000
7.750.....	24,451,000
7.875.....	29,603,000
8.000.....	11,092,000
8.125.....	60,571,000
8.250.....	48,290,000
8.375.....	53,989,000
8.500.....	37,376,000
8.625.....	9,037,000
8.750.....	11,647,000
8.875.....	6,103,000
9.000.....	52,995,000
9.125.....	12,097,000
9.250.....	4,401,000
Total.....	394,868,000

RTB can repay amounts borrowed from the Treasury through the sale of telephone debentures at any time. Repayments will be applied to the oldest amounts outstanding. No amounts borrowed from the Treasury had been repaid as of September 30, 1979.

The Secretary of the Treasury can sell acquired telephone debentures at any price considered appropriate. All purchases and sales of telephone debentures by the Secretary are treated as public debt transactions of the United States.

##### Lending power

RTB can make loans, in conformity with policies approved by the Board of Directors, to corporations and public bodies which have received an REA loan or loan commitment or have been certified by the Administrator of REA to be eligible for a loan or loan commitment. RTB's loans may be made—

For the same purposes as REA loans made under section 201;

To finance or refinance the construction, improvement, expansion, acquisition and operation of telephone lines, facilities, or systems in rural areas to improve efficiency, effectiveness or financial stability of borrowers; or

To finance the purchase of class B stock.

The Rural Electrification Act requires that RTB, rather than REA, loan funds if the borrower is eligible for an RTB loan and RTB has funds available. However, all loans for telephone system facilities which, on the average, will have three or fewer subscribers for each mile of telephone line are to be made by REA unless the borrower elects to take an RTB loan instead.

RTB loans can only be made when, in the judgment of the Governor of RTB, (1) the loan has adequate security and will be repaid within the time agreed and (2) the borrower is able to earn net income before interest which is at least 150 percent of the

interest requirements on all of its outstanding and proposed loans or, if this is not true, this requirement should be waived because it prevents emergency restoration of the borrower's system or otherwise results in severe hardship to the borrower.

The Governor of RTB determines the terms and conditions of RTB loans that are not specified by law. The Rural Electrification Act, as amended, requires that the interest rate on an RTB loan be equal to RTB's average cost of money; however, the interest rate cannot be less than 5 percent per annum. The act also requires that RTB loans be repaid within 50 years.

RTB borrowers may not sell or dispose of property, rights, or franchises acquired under the provisions of the Rural Electrification Act, as amended, without the approval of RTB's chief executive officer until any loans obtained from RTB, including all interest and charges, have been repaid.

##### Cost of operations

The interest cost of money borrowed from the Treasury through the sale of telephone debentures in fiscal year 1979 ranged from 8.875 to 9.25 percent a year. The total interest cost for fiscal year 1979 was \$27,930,503.

The Rural Electrification Act authorizes RTB to partially or jointly use the facilities and services of REA or any other agency of the Department of Agriculture without cost, and thus are not shown as expenses on the RTB statement. Costs incurred by REA as it provides facilities and services to RTB are generally for salaries and related benefits, employee travel, and automatic data processing.

#### CHAPTER 3—SCOPE OF EXAMINATION AND OPINION ON FINANCIAL STATEMENTS

##### Scope of examination

We have examined the Statement of Financial Condition as of September 30, 1979, and the Statements of Income, Expenses, and Patronage Capital and Changes in Financial Condition for the fiscal year ended September 30, 1979. Our examination was made in accordance with Comptroller General standards for financial and compliance audits and included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. We also reviewed RTB's system of internal control and its compliance with applicable laws, rules, and regulations.

The financial statements for the year ended September 30, 1978, which are presented for comparative purposes only, were not examined by us. Therefore, we do not express an opinion on the 1978 statements.

##### Opinion on financial statements

In our opinion, the accompanying financial statements (schedules 1 through 3) present fairly the financial position of the Rural Telephone Bank at September 30, 1979, and its income, expenses, patronage capital, and changes in financial position for the fiscal year then ended, in conformity with generally accepted accounting principles.

By Mr. MATHIAS (for himself and Mr. SARBANES):

S. 797. A bill to provide for the issuance of a postage stamp to commemorate the 200th anniversary of the election of John Hanson of Maryland as first President of the United States in Congress assembled; to the Committee on Governmental Affairs.

ISSUANCE OF POSTAGE STAMP HONORING THE ANNIVERSARY OF THE ELECTION OF JOHN HANSON OF MARYLAND AS FIRST PRESIDENT OF THE UNITED STATES IN CONGRESS ASSEMBLED

(Remarks on this legislation appear earlier in today's RECORD.)

By Mr. RIEGLE (for himself and Mr. LEVIN):

S. 798. A bill to provide a program of emergency unemployment compensation; to the Committee on Finance.

#### EMERGENCY UNEMPLOYMENT COMPENSATION ACT

● Mr. RIEGLE. Mr. President, I am today introducing legislation for myself and Senator LEVIN to establish a program of emergency unemployment benefits for individuals who have exhausted their entitlement to regular and extended unemployment benefits under existing law.

Most States now provide 26 weeks of unemployment benefits under their regular State unemployment compensation program. During periods of high unemployment, a maximum of 13 additional weeks of benefits are payable under the Federal-State extended benefits program, to workers who have exhausted their regular State benefits without securing employment. Extended benefits are payable in a particular State if the rate of insured unemployment in that State is at least 4 percent, but only if the State's insured unemployment rate is 20 percent higher than it was in the preceding 2 years.

At the State's option, extended benefits in that State can also be triggered if the State's insured unemployment rate is at least 5 percent, without regard to how that rate compares to previous years. In addition, extended benefits are payable in all States if insured unemployment for the Nation as a whole equals or exceeds 4.5 percent in each of the 3 most recent calendar months.

During the 1975-77 recession, it rapidly became evident that the combination of regular and extended benefits under existing law was insufficient to protect workers against sustained levels of severe unemployment. Tens of thousands of workers exhausted extended benefits, but were unable to find jobs in an economy suffering from deep recession.

In response, the Congress enacted the Federal supplemental benefits program providing a temporary extension of unemployment benefits for jobless workers. While the legislation initially provided that workers could collect a maximum of 65 weeks in combined State, extended and Federal supplemental benefits, this was subsequently lowered to a combined maximum of 52 weeks.

The Emergency Unemployment Compensation Act, which established this temporary additional benefit protection, expired in 1978. As a result, individuals in States with high unemployment who exhaust their benefits today are left to fend for themselves.

On August 28, 1980, in response to persistently high unemployment, President Carter called for legislation to extend the duration of unemployment benefits for jobless workers hit by the recession.

Legislation (H.R. 8146) authorizing an additional 10 weeks of emergency unemployment benefits passed the House on September 30, 1980, by a vote of 336 to 71. On October 1, 1980, the Senate approved H.R. 8146 by voice vote. H.R. 8146 would have made jobless workers eligible for a maximum of 49 weeks of combined regu-

lar, extended, and supplemental unemployment benefits.

Although both the House and Senate-passed versions of H.R. 8146 provided for a 10-week benefit extension, a controversial package of amendments dealing with other aspects of the unemployment insurance program were added to the bill on the Senate floor. The House and Senate were unable to resolve their differences prior to the sine die adjournment of the 96th Congress and the legislation was thus not enacted.

The need for emergency legislation extending the duration of unemployment benefits has not diminished, however. Nationally, unemployment stands at 7.4 percent. High as this figure is, the situation in many States is even more severe.

In my own State of Michigan, seasonally adjusted unemployment has now reached 14.2 percent, and 604,000 people are jobless. The extended benefits program has been triggered on in Michigan since October 6, 1979.

More than 300,000 jobless workers are collecting unemployment insurance; 260,700 jobless workers have already exhausted their unemployment benefits without being able to secure employment in Michigan's severely distressed economy.

The number of exhaustees is projected to climb at a rate of 20,000 persons per month for the foreseeable future, according to Michigan's Employment Security Commission.

Nor is Michigan the only State suffering from severe unemployment. In January 1981, the unemployment rate in Ohio was 10.4 percent, in Illinois 9.9 percent, in Pennsylvania 9.1 percent, and in New York 8.3 percent.

These jobless workers have lost their jobs through no fault of their own. After they exhaust the unemployment benefits available under current law, they often have no place to turn. Few of their families are immediately eligible for welfare—and in those 26 States which do not cover families where both parents are present in the home under their welfare system, they will never be eligible.

Furthermore, few States provide adequate emergency assistance to those not eligible for welfare.

The stress which these jobless workers and their family face is reflected in increased alcohol and drug abuse, in depression and other health and mental health problems, and in family instability.

These workers and their families need and deserve our attention. The legislation we are introducing today would provide badly needed additional protection under the unemployment insurance system. I urge my colleagues to join me in supporting this urgent and important legislation. ●

● Mr. LEVIN. Mr. President, I am pleased to cosponsor legislation introduced by Senator RIEGLE today which will establish a program of emergency unemployment benefits for individuals who have exhausted their regular 26 weeks and extended 13 weeks of benefits.

In the 96th Congress, Senator RIEGLE

and I introduced a similar bill. On October 1, 1980, this bill was debated and considered by the Senate and in a modified form agreed upon.

A great deal of work went into this legislation and with the assistance of members of the Finance Committee, we were able to pass this important piece of legislation. Unfortunately, we were unable to come to an agreement with the House and the bill died.

The unemployment situation in the United States has worsened since we originally introduced this bill last spring. At that time, the national unemployment rate was 7 percent, now it is 7.3 percent. The latest figures for the 10 largest States show unemployment rates higher now than a year ago in 9 of the 10 States.

For all of 1980, the average unemployment rate was 7.1 percent up considerably from the 5.8 percent average of the preceding year. For February 1981, there were 7.8 million Americans officially unemployed. That is a totally unacceptable figure.

I might add that in the fourth quarter of 1980, there were an additional 1.055 million "discouraged workers," persons who are not counted in the unemployment figures because they have given up looking for work in our depressed economy.

In my home State of Michigan, the situation is even worse. The latest figures we have are February and they show an adjusted unemployment rate of 13.5 percent with 574,000 workers unemployed. The unadjusted figures place the rate at 14.2 percent with 604,000 persons out of work.

These statistics reflect nearly a 3-percent increase over a year ago, with about 100,000 more workers unemployed. Even more serious is that 20,000 Michigan workers are exhausting their regular and extended benefits each month.

More workers ran out of benefits in 1980 than at any time in the program's 43-year history. That figure is estimated to be 285,000.

Naturally, with this increasing unemployment and exhaustion of benefits, many, many workers are finding themselves without any source of income except welfare.

For these citizens, the current state of our economy is more than a statistic. It is the denial of their ability to discharge their basic measure of human worth—the ability to be a productive and contributing member of this society. We have an environment in which people cannot find work, and a system which punishes them for not working.

During the recession of the mid-1970's, we had a similar situation and Congress acted by authorizing a similar program to the one introduced today and provided an additional 13 weeks of emergency unemployment benefits.

Congress should act quickly to take the same action now. There is simply no reason why we should force members of our work force onto the welfare rolls.

In Michigan, the caseloads for AFDC-U and general assistance have increased dramatically over the past year. Long-term unemployment already places a



great deal of tension on our out-of-work citizens and their families. The eligibility requirements of welfare which requires persons to divest themselves of their possessions and resources and the social stigma often inappropriately applied to welfare recipients ought not be added to the woes of those who have exhausted unemployment benefits.

The situation does not promise much improvement during 1981. The President's 1982 budget assumes 7 percent average unemployment for 1981. The Congressional Budget Office estimates 7.9 percent in the second quarter of 1981 and some private forecasters believe the number of workers unemployed in 1981 will exceed 8 percent.

We need a program of emergency unemployment benefits for workers who have exhausted their extended benefits or will do so in the near future. These workers are involuntarily unemployed and we must come to their assistance now as Congress has done in the past. ●

By Mr. HATCH:

S. 799. A bill to amend the Public Health Services Act to revise and extend titles VII and VIII of such act with regard to training in health professions and nursing, and for other purposes; to the Committee on Labor and Human Resources.

#### HEALTH PROFESSIONS EDUCATIONAL ASSISTANCE AND NURSE TRAINING ACT

Mr. HATCH. Mr. President, I am today introducing the Health Professions Educational Assistance and Nurse Training Act of 1981. This is a thorough re-examination of titles VII and VIII of the Public Health Service Act, which provides for Federal programs affecting the education of the health professionals, including nurses. This bill builds upon the work done over the last 2 years by the Senate Committee on Labor and Human Resources, especially our distinguished former colleague, Secretary Richard S. Schweiker. However, in recognition of the current budgetary constraints, this bill is lean. It reflects a number of hard decisions that may not be popular but which are my considered judgment as to where the highest Federal priorities are within the scope of this legislation. As a result, some worthwhile programs have not been continued and in a number of potentially useful areas new initiatives have not been sought. However, I believe that this bill does justice to the most pressing needs within the health professions.

My bill, in dealing with institutional support, special projects, construction, and other traditional areas of support, is guided by one overarching principal: That there will be a substantial physician "surplus" by the mid-1980's and that this will result in substantial changes in the delivery of health care in the United States. Previous health manpower legislation has had just the opposite purpose: To alleviate the physician shortage. The changes proposed in my bill are in part a tribute to the success of these past efforts.

I am convinced that the surplus will result in more competition among pro-

viders, a better geographic distribution of health care services, and a better specialty distribution among physicians.

Though figures clearly show a surplus of physicians and other health care providers, I am concerned shortages still remain in the field of nursing. A need for more highly skilled and trained nurse specialists, salaries, and advancement which are not competitive with other careers, unattractive hours and working conditions, all contribute to current nurse shortages. There is a Federal role, though limited, in eliminating these shortages. Through title VIII, The Nurse Training Act, we can help improve the attractiveness of the nursing profession, put emphasis on career mobility for diploma and associate degree nurses through enhancement of their educational credentials and provide opportunities for advanced nurse training. Further through loan and grant programs under the Higher Education Act, we can continue to assist nursing students in obtaining financial assistance for their education.

In revising the health manpower legislation, my bill attempts to focus the limited resources on the very few areas which still need Federal attention: Stimulating training in primary care and rehabilitative medicine; assuring adequate professional support for individuals who practice in underserved areas; improving the attractiveness of the nursing profession; helping health professions schools to attract and retain more disadvantaged students; and assisting health professions schools to survive limited periods of financial distress.

Specifically, the main features of my bill are:

First, the health education assistance loan (HEAL) program under which health professions students can borrow through the private loan capital market to finance their education is continued;

Second, the health professions student loan program and the nursing student loan program, which provide direct loans to health professions students, are allowed to continue using funds available from the revolving funds. Interest rates under the program are increased. No new Federal appropriations are needed for this program;

Third, the National Health Service Corps scholarship is transferred to title III of the Public Health Service Act where it is covered by another bill I have introduced today;

Fourth, the existing programs to stimulate primary care—family medicine, general internal, and pediatric medicine—are revised and continued. This includes support for residency programs, programs to train students and teachers, and support for family medicine departments;

Fifth, two new provisions highlight important areas of concern for the 1980's: Professional support for health care providers practicing in underserved areas and training needs in physical and rehabilitative medicine;

Sixth, an existing program to assist health professions schools to survive limited periods of financial distress is con-

tinued but in an extensively revised form;

Seventh, the disadvantaged assistance program, designed to help health professions schools to recruit and retain disadvantaged students, is continued;

Eighth, project grants for public health and health administration are continued; and

Ninth, special projects and advanced training—including nurse practitioners—for nurses are revised and continued.

I urge my colleagues to join me in supporting this bill. I recognize that to do so they must put aside special interest concerns, recognizing the paramount need to restrain Federal expenditures. This bill exemplifies how this goal can be accomplished responsibly, by assuring that the most critical needs, both old and new, are met.

I ask unanimous consent that the text of the bill be printed in the RECORD.

There being no objection, the bill was ordered to be printed in the RECORD, as follows:

S. 799

*Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That (a) this Act may be cited as the "Health Professions Educational Assistance and Nurse Training Act of 1981".*

(b) Except as otherwise specifically provided, whenever in this Act an amendment or repeal is expressed in terms of an amendment to, or repeal of, a section or other provision, the reference shall be considered to be made to a section or other provision of the Health Service Act.

#### EFFECTIVE DATE

SEC. 2. Except as otherwise specifically provided, this Act and the amendments and repeals made by this Act shall take effect on October 1, 1981.

#### TITLE I—AMENDMENTS TO TITLE VII PART A—AMENDMENTS TO GENERAL PROVISIONS LIMITATION OF USE OF APPROPRIATIONS

SEC. 101. Section 700 is repealed.

#### DEFINITIONS

SEC. 102. (a) Section 701 (2) is amended to read as follows:

"(2) The term 'nonprofit' refers to the status of an entity owned and operated by one or more corporations or associations no part of the net earnings of which inures, or may lawfully inure, to the benefit of any private shareholder or individual."

(b) (1) Section 701 is amended by striking out paragraph (3) and redesignating paragraph (4) as paragraph (3).

(2) Section 701(3) (as redesignated by paragraph (1) of this subsection) is amended—

(A) by striking out "a school which" and inserting in lieu thereof "an accredited public or nonprofit private school in a State that"; and

(B) by adding at the end thereof the following: "The term 'graduate program in health administration' means an accredited graduate program in a public or nonprofit private institution in a State that provides training leading to a graduate degree in health administration or an equivalent degree."

(c) Section 701 is further amended by inserting after paragraph (3) (as redesignated by subsection (b)(1) of this section), the following new paragraph:

"(4) The term 'accredited', when applied to a school of medicine, osteopathy, dentis-

try, veterinary medicine, optometry, podiatry, pharmacy or public health, or a graduate program in health administration, means a school or program that is accredited by a recognized body or bodies approved for such purpose by the Secretary of Education, except that a new school or program that, by reason of an insufficient period of operation, is not, at the time of application for a grant or contract under this title, eligible for accreditation by such a recognized body or bodies, shall be deemed accredited for purposes of this title, if the Secretary of Education finds, after consultation with the appropriate accreditation body or bodies, that there is reasonable assurance that the school or program will meet the accreditation standards of such body or bodies prior to the beginning of the academic year following the normal graduation date of the first entering class in such school or program."

(d) Section 701 is further amended by redesignating paragraphs (9) and (10) as paragraphs (11) and (12), respectively, and by inserting after paragraph (8), the following new paragraphs:

"(9) The term 'allied health personnel' means individuals trained at the associate, baccalaureate, master's, or doctoral degree level in a health care related science, with responsibility for the delivery of health care related services (including services related to the identification, evaluation and prevention of diseases and disorders, dietary and nutrition services, health promotion, rehabilitation, and health systems management), but who, for the purposes of this title, are not graduates of schools of medicine, osteopathy, dentistry, veterinary medicine, optometry, podiatry, chiropractic, pharmacy, public health, or nursing, or a graduate program in health administration.

"(10) The term 'school of allied health' means a public or nonprofit private junior college, college, or university—

"(A) which provides, or can provide, programs of education in a discipline of allied health leading to a baccalaureate or associate degree (or an equivalent degree of either) or to a more advanced degree;

"(B) which provides training for not less than a total of twenty persons in the allied health curricula;

"(C) which includes or is affiliated with a teaching hospital; and

"(D) which is accredited by a recognized body or bodies approved for such purposes by the Secretary of Education, or which provides to the Secretary satisfactory assurance by such accrediting body or bodies that reasonable progress is being made toward accreditation."

(e) Section 701(11) (as redesignated by subsection (d) of this section) is amended by inserting "the Commonwealth of" before "the Northern Mariana Islands."

(f) Section 701(12) (as redesignated by subsection (d) of this section) is amended by such accrediting body or bodies that reasonable progress is being made toward accreditation."

#### NATIONAL ADVISORY COUNCIL ON HEALTH PERSONNEL

SEC. 103. (a) The section heading for section 702 is amended to read as follows:

#### "NATIONAL ADVISORY COUNCIL ON HEALTH PERSONNEL"

(b) Section 702(a) is amended—

(1) by striking out "Professions Education" after "National Advisory Council on Health" and inserting in lieu thereof "Personnel";

(2) by striking out "(or his delegate)" and inserting in lieu thereof "(or the delegate of the Secretary)";

(3) by striking out "twenty" after "who shall be Chairman of the Council, and" and inserting in lieu thereof "twenty-two";

(4) by inserting "among" before "persons who because of their education";

(5) by striking out "parts B, C, D, E, F and G of";

(6) by striking out clause (1) and inserting in lieu thereof "(1) fourteen shall be representatives of the schools and graduate programs assisted under this title, including at least one representative from each of the types of schools and programs defined in paragraphs (3) and (10) of section 701,";

(7) by striking out "two" in clause (2) and inserting in lieu thereof "three"; and

(8) by inserting "or interns or residents," after "health professions schools," in clause (2).

(c) Section 702 is further amended—

(1) by striking out "(other than subpart II of part G thereof)" each place it appears; and

(2) by striking out "he" in subsection (C) and inserting in lieu thereof "the Secretary".

#### ADVANCE FUNDING

SEC. 104. Section 703 is amended—

(1) by striking out "(a)"; and

(2) by striking out subsection (b).

#### RECORDS AND AUDITS

SEC. 105. The second sentence of section 705(a) is repealed.

#### NONINTERFERENCE WITH ADMINISTRATION

SEC. 106. Section 707 is amended to read as follows:

#### "NONINTERFERENCE WITH ADMINISTRATION OF INSTITUTIONS"

"SEC. 707. Nothing in this title shall be construed as authorizing any department, agency, officer, or employee of the United States to exercise any direction over, or supervision of, or control over, or impose any requirement or condition with respect to, the personnel, curriculum, methods of instruction, or administration of any institution."

#### HEALTH PROFESSIONS DATA

SEC. 107. (a) Section 708 is amended by redesignating subsections (e), (f), and (g), as subsections (f), (g), and (h), respectively.

(b) Section 708 is further amended by striking out subsections (a) through (d) and inserting in lieu thereof the following new subsections:

"SEC. 708. (a) The Secretary shall establish a program to collect, compile, and analyze data on health professions personnel, including allopathic physicians, osteopathic physicians, dentists, pharmacists, optometrists, podiatrists, veterinarians, public health personnel, health care administration personnel, nurses, allied health personnel, and any other health personnel in States designated by the Secretary to be included in the program. Such data shall include data respecting the training, licensure status (including permanent, temporary, partial, limited, or institutional), place or places of practice, professional specialty, practice characteristics, place and date of birth, sex, and socioeconomic background of health professions personnel, and such other demographic information regarding health professions personnel as the Secretary may require.

"(b) In carrying out subsection (a), the Secretary shall collect available information from public or private entities. The Secretary may make grants to and enter into contracts with public and private entities for the collection of information not otherwise available.

"(c) The Secretary, in cooperation with appropriate public and private entities, shall—

"(1) analyze or provide for the analysis of health personnel data collected under this section;

"(2) conduct or provide for the conduct of—

"(A) analytic and descriptive studies of

health personnel information, including studies of the need for, and supply of, health personnel; and

"(B) projections relating to such need and supply in the future, compiled according to type of personnel, practice specialty, and geographic location; and

"(3) conduct or provide for the conduct of analytic and descriptive studies of information on health students, interns, residents, and practitioners who are participating in health professions education, and on health personnel education programs and institutions, including institutional resources, student financial requirements and indebtedness, student characteristics such as age, sex, race, ethnicity and socioeconomic background, and apparent career choices such as practice specialty and geographic location.

"(d) Any school, program, or training center receiving funds under this title or title VIII shall submit an annual report to the Secretary. Such report shall contain such information as is necessary to assist the Secretary in carrying out this section and evaluating the efficacy of these programs in addressing national health priorities. The Secretary shall not require the collection or transmittal of any information under this subsection that is not readily available to such school, program, or training center. Information provided pursuant to this subsection shall be collected or transmitted only to the extent permitted under subsection (f).

"(e) The Secretary shall submit to Congress on October 1, 1982, and biennially thereafter, the following reports:

"(1) a comprehensive report regarding the status of health personnel according to profession, including a report regarding the analytic and descriptive studies conducted under this section; and

"(2) a comprehensive report regarding applicants to, and students enrolled in, programs and institutions for the training of health personnel, including descriptions and analyses of student indebtedness, student need for financial assistance, financial resources to meet the needs of students, student career choices such as practice specialty and geographic location and the relationship, if any, between student indebtedness and career choices."

(c) Section 708(h) (as redesignated by subsection (a) of this section) is amended to read as follows:

"(h) There are authorized to be appropriated to carry out this section \$3,000,000 for the fiscal year ending September 30, 1982, and for each of the two succeeding fiscal years."

#### SHARED SCHEDULED RESIDENCY TRAINING POSITIONS

SEC. 108. (a) Section 709 is repealed.

(b) Sections 710 and 711 are redesignated as sections 709 and 710, respectively.

#### PAYMENT UNDER GRANTS

SEC. 109. Section 709 (as redesignated by section 108(b) of this Act) is amended to read as follows:

#### "APPLICATIONS, PAYMENTS, AND ASSURANCES UNDER GRANTS"

"SEC. 709. (a) Grants made under this title may be paid (1) in advance or by way of reimbursement, (2) at such intervals and on such conditions as the Secretary may find necessary, and (3) with appropriate adjustments on account of overpayments or underpayments previously made.

"(b) No grant may be made or contract entered into under this title unless an application therefor has been submitted to and approved by the Secretary. Such application shall be in such form, submitted in such



manner, and contain such information, as the Secretary shall by regulation prescribe.

"(c) Whenever in this title an applicant is required to provide assurances to the Secretary, or an application is required to contain assurances or be supported by assurances, the Secretary shall determine before approving the application that the assurances provided are made in good faith.

"(d) The Secretary may provide technical assistance for the purpose of carrying out any program or purpose under this title."

#### TUITION AND OTHER EDUCATIONAL COSTS

SEC. 110. Section 710 (as redesignated by section 108(b) of this Act) is amended to read as follows:

##### "DIFFERENTIAL TUITION AND FEES

"SEC. 710. The Secretary may not enter into a contract with, or make a grant, loan guarantee, or interest subsidy payment under this title or title VIII, to or for the benefit of, any school, program, or training center if the tuition levels or educational fees at such school, program, or training center are higher for certain students solely on the basis that such students are the recipients of traineeships, loans, loan guarantees, service scholarships, or interest subsidies from the Federal Government."

#### PART B—GRANTS AND LOANS FOR CONSTRUCTION OF TEACHING FACILITIES

##### APPROVAL OF APPLICATIONS

SEC. 121. Section 721 is amended by striking out subsections (c) through (g) and by amending subsection (b) to read as follows:

"(b) (1) To be eligible to apply for a grant under section 720, the applicant must be a public or other nonprofit school of medicine, osteopathy, dentistry, veterinary medicine, optometry, podiatry, pharmacy, or public health, or any combination of such schools.

"(2) An application for a grant under section 720 or loan guarantee or interest subsidy under section 726, which would involve the construction, conversion, renovation, or modernization of all or part of an ambulatory primary care teaching facility which is affiliated with but not owned by a school eligible for such grant under section 720 or loan guarantee or interest subsidy under section 726, shall be submitted jointly by the eligible school and the affiliated facility.

"(3) In the case of a joint application submitted under paragraph (2), assistance under section 720 or a loan guarantee or interest subsidy under section 726, shall be provided only for that portion of the proposed construction, conversion, renovation, or modernization which the Secretary determines to be reasonably attributable to the needs of such school for teaching or research purposes."

##### ENROLLMENT COMMITMENTS

SEC. 122. (a) Section 725 is amended to read as follows:

##### "ENROLLMENT COMMITMENTS

"SEC. 725. The Secretary shall unilaterally release all recipients of grants, loan guarantees, and interest subsidies under sections 720(a) and 726 (as such sections were in effect prior to October 1, 1981) from any contractual obligation to fulfill enrollment increases incurred pursuant to such sections or under regulations published to implement such sections."

(b) The amendment made by subsection (a) of this section shall take effect on the date of enactment of this Act.

##### LOAN GUARANTEES AND INTEREST SUBSIDIES

SEC. 123. (a) Section 726(a) is amended by striking out "September 30, 1980" after "and ending with the close of" and inserting in lieu thereof "September 30, 1984".

(b) (1) Section 726(b) is amended by striking out "September 30, 1980" after "with the close of" and inserting in lieu thereof "September 30, 1984."

(2) Section 726(b) is further amended by inserting before the period at the end thereof "and for loan guarantees and interest subsidies first made after September 30, 1981, such amounts as are sufficient to reduce the net effective interest rate otherwise payable on such loan—

"(1) by 6 percent per annum; or

"(2) to 7 percent per annum;

whichever is less."

(c) The second sentence of section 726 (e) is amended by striking out "and" after "1979," and by inserting before the period a comma and "\$4,300,000 for the fiscal year ending September 30, 1981, and \$4,300,000 for the fiscal year ending September 30, 1982, and each of the next two fiscal years".

(d) Section 726(f) (2) is amended to read as follows:

"(2) In any fiscal year no loan guarantee may be made under subsection (a) and no agreement to make interest subsidy payments may be entered into under subsection (b) if the making of such guarantee or the entering into of such agreement would cause the total of—

"(A) the principal of the loans first guaranteed under subsection (a) in such fiscal year, and

"(B) the principal of the loans for which no guarantee has been made under subsection (a) and with respect to which an agreement to make interest subsidy payments is first entered into under subsection (b) in such fiscal year,

to exceed \$10,000,000 in such fiscal year."

(e) Section 726(g) is repealed.

##### PART C—STUDENT ASSISTANCE

##### SCOPE AND DURATION OF FEDERAL LOAN INSURANCE PROGRAM

SEC. 141. (a) (1) The first sentence of section 728(a) is amended by striking out "and" after "1979;" and by inserting before the period a semicolon and "and \$100,000,000 for the fiscal year ending September 30, 1982, and for each of the next four fiscal years".

(2) The last sentence of such subsection is amended by striking out "1982" and inserting in lieu thereof "1987".

(b) Section 728(c) is amended by inserting "consolidate" after "sell," and by inserting before the period a comma and "except that no loan under this subpart may be consolidated if as a result of such consolidation the Federal Government becomes liable for any payment of principal or interest under the provisions of section 439(o) of the Higher Education Act of 1965".

##### LIMITATIONS

SEC. 142. Section 729(a) is amended to read as follows:

"LIMITATIONS ON INDIVIDUAL FEDERALLY INSURED LOANS AND ON FEDERAL LOAN INSURANCE

"SEC. 729. (a) The total of the loans made to a student in any academic year or its equivalent (as determined by the Secretary) which may be covered by Federal loan insurance under this subpart may not exceed \$20,000 in the case of a student enrolled in a school of medicine, osteopathy, dentistry, veterinary medicine, optometry, or podiatry, and \$12,500 in the case of a student enrolled in a school of pharmacy or public health, or a graduate program in health administration. The aggregate insured unpaid principal amount for all such insured loans made to any borrower shall not at any time exceed \$80,000 in the case of a borrower who is or was a student enrolled in a school of medicine, osteopathy, dentistry, veterinary medicine, optometry, or podiatry, and \$50,000 in the case of a borrower who is or was a student enrolled in a school of pharmacy or public health, or a graduate program in health administration. The annual insurable limit per student shall not be exceeded by a line of credit under which actual payments by the

lender to the borrower will not be made in any year in excess of the annual limit."

##### ELIGIBILITY OF STUDENT BORROWERS AND TERMS OF FEDERALLY INSURED LOANS

SEC. 143. (a) (1) Section 731(a) (1) (A) is amended by striking out clause (iii) and redesignating clauses (iv) and (v) as clauses (iii) and (iv), respectively.

(2) Clause (iii) of such section (as redesignated by paragraph (1) of this subsection) is amended by striking out "and" before "other reasonable educational expenses" and by inserting "and reasonable living expenses," after "and laboratory expenses."

(b) Section 731(a) (2) is amended—

(1) in subparagraph (C) by inserting "and interest" after "installments of principal" and by striking out "and be paid" after "shall accrue";

(2) in subparagraph (D) by inserting "for the purposes of calculating a repayment schedule" before the semicolon;

(3) by striking out "and" after the semicolon at the end of subparagraph (E); and

(4) by redesignating subparagraph (F) as subparagraph (G) and inserting after subparagraph (E) the following new subparagraph:

"(F) offers the borrower a graduated repayment plan option with larger payments due later in the repayment period, pursuant to criteria set by the Secretary; and"

(c) Section 731(c) is amended by inserting before the period a comma and "except as provided in section 731(a) (2) (C)".

##### CERTIFICATE OF FEDERAL LOAN INSURANCE

SEC. 144. Section 732 is amended by adding at the end thereof the following new subsection:

"(f) Nothing in this section shall be construed to preclude the lender and the borrower, by mutual agreement, from consolidating all of the borrower's debts into a single instrument, except that the portion of such debt that is insured under this subpart shall not be consolidated on terms less favorable to the borrower than if no consolidation had occurred and no loan under this subpart may be consolidated with any other loan if, as a result of such consolidation, the Federal Government becomes liable for any payment of principal or interest under the provisions of section 439(o) of the Higher Education Act of 1965."

##### DEFAULTS

SEC. 145. Section 733(g) is amended to read as follows:

"(g) A debt which is a loan insured under the authority of this subpart may be released by a discharge in bankruptcy under title 11, United States Code, only if such discharge is granted—

"(1) after the expiration of the five-year period beginning on the first date, as specified in subparagraphs (B) and (C) of section 731(a) (2), when repayment of such loan is required;

"(2) upon a finding by the Bankruptcy Court that the nondischarge of such debt would be unconscionable; and

"(3) upon the condition that the Secretary shall not have waived the Secretary's rights to apply subsection (f) to the borrower and the discharged debt."

##### DEFINITIONS—STUDENT ASSISTANCE

SEC. 146. (a) Section 737 (1) is amended to read as follows:

"(1) The term 'eligible institution' means, with respect to a fiscal year, a school of medicine, osteopathy, dentistry, veterinary medicine, optometry, podiatry, pharmacy, or public health, or a graduate program in health administration."

(b) Section 737 is further amended by striking out paragraph (2), and by redesignating paragraphs (3) and (4) as paragraphs (2) and (3), respectively.

## ELIGIBLE STUDENTS

Sec. 147. Subpart I of part C of title VII is amended by inserting after section 737 the following new section:

## "DETERMINATION OF ELIGIBLE STUDENTS

"Sec. 737A. For purposes of determining eligible students under this part, in the case of a public school in a State that offers an accelerated, integrated program of study combining undergraduate premedical education and medical education leading to advanced entry, by contractual agreement, into an accredited four-year school of medicine which provides the remaining training leading to a degree of doctor of medicine, whenever in this part a provision refers to a student at a school of medicine, such reference shall include only a student enrolled in any of the last four years of such accelerated, integrated program of study."

## ELIGIBILITY OF INSTITUTIONS

Sec. 148. (a) Section 739(a) is amended—  
(1) by striking out paragraph (1) and redesignating paragraphs (2) and (3) as paragraphs (1) and (2), respectively;  
(2) by striking out "and" at the end of paragraph (1) (as redesignated by paragraph (1) of this subsection);  
(3) by striking out "whether" in paragraph (2) (as redesignated by paragraph (1) of this subsection) and inserting in lieu thereof "whenever";  
(4) by striking out the period at the end of paragraph (2) (as redesignated by paragraph (1) of this subsection) and inserting in lieu thereof a semicolon and "and"; and  
(5) by adding at the end thereof the following new paragraph:

"(3) the collection of information from the borrower, lender, or eligible institution to assure compliance with the provisions of section 731."

(b) Section 739(b) is amended to read as follows:

"(b) The Secretary shall require an eligible institution to record, and make available to the lender and to the Secretary upon request, the name, address, postgraduate destination, and other reasonable identifying information for each student of such institution who has a loan insured under this subpart."

## LOAN AGREEMENTS

Sec. 149. Section 740(a) is amended by striking out "which is located in a State and is accredited as provided in section 721(b) (1) (B)".

## INTEREST RATE

Sec. 150. Section 741(e) is amended to read as follows:

"(e) Such loans shall bear interest at the rate of 9 percent per year."

## DISTRIBUTION OF ASSETS FROM LOAN FUNDS

Sec. 151. Section 743 is amended by striking out "1983" each place it appears and inserting in lieu thereof "1986".

## NATIONAL HEALTH SERVICE CORPS SCHOLARSHIP PROGRAM

Sec. 152. Section 751 through 757 are transferred to title III of the Public Health Service Act and renumbered sections 338A through 338G, respectively.

## MISCELLANEOUS REPEALS

Sec. 153. Subpart V of part C, part D, and part E of title VII are repealed.

Part D—SPECIAL PROJECTS  
PROGRAMS AND PROJECTS

Sec. 161. (a) Part F of title VII is redesignated as part D.

(b) Section 780 is amended to read as follows:

## "PROJECT GRANTS FOR FAMILY MEDICINE

"Sec. 780. (a) The Secretary may make grants to schools of medicine and osteopathy to assist in meeting the costs to such schools of projects to establish and maintain or

improve academic administrative units (which may be departments, divisions, or other units) to provide instruction and conduct research in the fields of family medicine.

"(b) There are authorized to be appropriated to carry out the provisions of this section \$7,000,000 for the fiscal year ending September 30, 1982, and each of the next two fiscal years."

## AREA HEALTH EDUCATION CENTERS

Sec. 162. Section 781(g) is amended by—  
(1) striking out "and" after "1979"; and  
(2) by striking out "the fiscal year ending September 30, 1980" and inserting in lieu thereof "each of the fiscal years ending September 30, 1980, and September 30, 1981, and \$16,000,000 for the fiscal year ending September 30, 1982, and each of the next two fiscal years."

## SUPPORT SERVICES IN UNDERSERVED AREAS

Sec. 163. Section 782 is amended to read as follows:

## "SUPPORT SERVICES IN UNDERSERVED AREAS

"Sec. 782. (a) (1) The Secretary may make grants to and enter into contracts with schools of medicine, osteopathy, dentistry, veterinary medicine, optometry, podiatry, pharmacy, or other appropriate public or nonprofit private entities to assist in meeting the costs of planning, establishing, and operating projects to provide support services to health professionals practicing in health manpower shortage areas designated under section 332. Such support services may include continuing education, relief services, specialist referral services, and placement of students in a preceptorial relationship with the practitioner.  
(2) No grant may be made to or contract entered into with an entity under paragraph (1)—  
(A) unless the entity agrees to provide support services to any physician, dentist, veterinarian, optometrist, podiatrist, or pharmacist (as appropriate to the category of health professionals proposed to be served by the grant or contract) who requests such services within the health manpower shortage area proposed to be served, including any member of the National Health Service Corps;  
(B) to carry out activities required to be carried out under section 781; or  
(C) unless the amount of the award under this section is matched by a no less than equal amount from non-Federal sources.  
(3) Not more than 15 percent of the funds available to carry out this subsection may be used by the Secretary to fund eligible recipients to carry out research relating to the support needs of practitioners in health manpower shortage areas, nor shall more than 30 percent of such funds be used to provide continuing education.  
(b) There are authorized to be appropriated to carry out the provisions of this section \$2,000,000 for the fiscal year ending September 30, 1982, \$2,500,000 for the fiscal year ending September 30, 1983, and \$3,000,000 for the fiscal year ending September 30, 1984."

## REHABILITATIVE MEDICINE

Sec. 164. Section 783 is amended to read as follows:

## "GRANTS FOR TRAINING IN PHYSICAL AND REHABILITATIVE MEDICINE

"Sec. 783. (a) The Secretary may make grants to and enter into contracts with schools of medicine or osteopathy or other appropriate public or nonprofit private entities to assist in meeting the costs of such schools or entities of providing projects to—  
(1) plan, develop, and operate or maintain a physician residency training program in physical medicine and rehabilitation; or  
(2) provide financial assistance (in the

form of traineeships and fellowships) to residents in any such program in need of financial assistance and who plan to specialize or work in physical medicine and rehabilitation.

"(b) There are authorized to be appropriated to carry out the provisions of this section \$1,000,000 for the fiscal year ending September 30, 1982, \$1,500,000 for the fiscal year ending September 30, 1983, and \$2,000,000 for the fiscal year ending September 30, 1984."

## TRAINING GRANTS

Sec. 165. Section 784 is amended to read as follows:

## "GRANTS FOR TRAINING IN FAMILY MEDICINE, GENERAL INTERNAL MEDICINE, AND GENERAL PEDIATRICS

"Sec. 784. (a) The Secretary may make grants to and enter into contracts with schools of medicine or osteopathy or other public and private nonprofit entities (including hospitals) to assist in meeting the costs of providing projects to—  
(1) plan, develop, and operate approved residency or internship training programs in family medicine which emphasize the training of residents for the practice of family medicine;  
(2) plan, develop, and operate approved residency training programs in internal medicine or pediatrics, which emphasize the training of residents for the practice of general internal medicine or general pediatrics;  
(3) plan, develop, and operate teaching programs for medical students in primary care (family medicine, general internal medicine, and general pediatrics), emphasizing preceptorship experiences with practicing physicians and clinical experiences in ambulatory settings.  
(4) plan, develop, and operate programs (that may be structured differently than residency training programs) for the training of physicians who plan to teach in family medicine, general internal medicine, or general pediatrics, training programs; and  
(b) To carry out the purposes of subsection (a) (1), there are authorized to be appropriated \$16,000,000 for the fiscal year ending September 30, 1982 and each of the next two fiscal years. To carry out the purposes of subsection (a) (2), there are authorized to be appropriated \$10,000,000 for the fiscal year ending September 30, 1982 and each of the next two fiscal years. To carry out the purposes of subsection (a) (3) and (a) (4), there are authorized to be appropriated \$6,000,000 for the fiscal year ending September 30, 1982 and each of the next two fiscal years.  
(c) Within each authorization provided in subsection (b) for the programs described in subsection (a), the Secretary may provide, as appropriate, funds for financial assistance (in the form of traineeships and fellowships) to medical and osteopathic students, interns (including interns in internships in osteopathic medicine), residents, practicing physicians, or other medical personnel, who are in need thereof, who are participants in any such program, and who plan to specialize, teach, or work in the practice of family medicine, general internal medicine or general pediatrics."

## FINANCIAL DISTRESS GRANTS

Sec. 166. Section 785 is amended to read as follows:

## "FINANCIAL DISTRESS GRANTS

"Sec. 785. (a) The Secretary may make grants to, and enter into contracts with, a school of medicine, osteopathy, dentistry, veterinary medicine, optometry, pharmacy, podiatry, public health, or nursing, or a graduate program in health administration that is in serious financial distress for the purposes of assisting such school or program to—



"(1) meet the costs of operation if such school's or program's financial status threatens its continued operation;

"(2) meet applicable accreditation requirements if such school or program has a special need to be assisted in meeting such requirements; or

"(3) carry out appropriate operational, managerial, and financial reforms.

"(b) Any grant or contract under this section may be made upon such terms and conditions as the Secretary determines to be reasonable and necessary, including requirements that the school or program agree to—

"(1) disclose any financial information or data necessary to determine the sources or causes of such school's or program's financial distress;

"(2) conduct a comprehensive cost analysis study in cooperation with the Secretary; and

"(3) carry out appropriate operational, managerial, and financial reforms including the securing of increased financial support from non-Federal sources.

"(c) No school or program may receive a grant under this section if such school or program has previously received support for three or more years under this section or under section 788(b) (as such section was in effect prior to October 1, 1981)."

#### ADVANCED FINANCIAL DISTRESS GRANTS

SEC. 167. Section 785 is amended to read as follows:

#### "ADVANCED FINANCIAL DISTRESS GRANTS

"SEC. 785. (a) The Secretary may enter into a multiyear contract or cooperative agreement with a school of medicine, osteopathy, dentistry, veterinary medicine, optometry, podiatry, or pharmacy to provide financial assistance to such institution to meet incurred or prospective costs of operation if the Secretary determines that payment of such costs is essential to remove the institution from serious and long-standing financial instability. To be eligible for a contract or cooperative agreement under this section, a school must have previously received financial support under section 785 or under section 788(b) (as such section was in effect prior to October 1, 1981) for a period of not less than 3 years.

"(b) No school may enter into a contract or cooperative agreement under this section unless—

"(1) the school has submitted to the Secretary a plan providing for the school to achieve financial solvency within five years and has agreed to carry out such plan;

"(2) such plan includes securing increased financial support from non-Federal sources;

"(3) such plan has been reviewed by a panel selected by the Secretary and consisting of three experts in the field of financial management who are not directly affiliated with the school or the Federal Government; and

"(4) the Secretary determines, after consultation with such panel, that such plan has a reasonable likelihood of achieving success.

"(c) The panel described in subsection (b)(3) shall be appointed by the Secretary within thirty days after the date of receipt of the school's plan and shall be dissolved no later than forty-five days after the panel's recommendation has been transmitted to the Secretary. Members of the panel shall be entitled to receive the daily equivalent of the annual rate of basic pay in effect for grade GS-18 of the General Schedule for each day (including traveltime) during which they perform duties.

"(d) Any contract or cooperative agreement under this section may be entered into upon such terms and conditions as the Secretary determines to be reasonable and necessary, including requirements that the school agree to—

"(1) disclose any financial information or data necessary to determine the sources or causes of such school's financial distress;

"(2) conduct a comprehensive cost analysis study in cooperation with the Secretary; and

"(3) carry out appropriate operational, managerial, and financial reforms including the securing of increased financial support from non-Federal sources.

"(e) No school may receive a grant or contract under this section unless in the same year the school shall have received, or have a legally binding commitment to receive, a grant or contract from a State or local government, private entity or combination thereof for the exclusive purpose of alleviating such school's financial distress. Such grant or contract from a State or local government, private entity or combination thereof shall, in the first year of any support under this section, exceed any grant made in the preceding year by such State or local government, or private entity by an amount equal to or greater than the amount of the proposed grant or contract under this section. In subsequent years of support under this section, such grant or contract from a State or local government, private entity or combination thereof shall exceed any grant made by such State or local government, private entity or combination thereof in the year prior to the first year of support under this section by an amount equal to or greater than the amount of the grant or contract under this section for such years.

"(f) Pursuant to the approved plan in subsection (b), funds received under this section may be used to pay short-term or long-term debts of such schools, meet accreditation requirements, or meet other costs, payment of which is essential to the continued operation of the institution or to permit such institution to achieve financial solvency within the period of the contract or cooperative agreement.

"(g) No school may receive support under this section for more than five years. No contract or cooperative agreement may be entered into under this section, or continued, in a fiscal year in which the school receives support under section 785.

"(h) An application for a contract or cooperative agreement under this section shall contain or be supported by assurances that the applicant will, in carrying out its function as a school of medicine, osteopathy, dentistry, veterinary medicine, optometry, pharmacy, or podiatry, as the case may be, expend during the fiscal year for which such contract or cooperative agreement is sought, an amount of funds from non-Federal sources (other than funds for construction and any contract or cooperative agreement under this section) at least as great as the average annual amount of funds from non-Federal sources expended by such applicant in the preceding two years.

"(i) For the purpose of entering into contracts or cooperative agreements to carry out this section and section 785, there are authorized to be appropriated \$9,000,000 for the fiscal year ending September 30, 1982, and each of the succeeding two fiscal years. Funds provided under this section shall remain available until expended without regard to any fiscal year limitation."

#### EDUCATIONAL ASSISTANCE TO INDIVIDUALS FROM DISADVANTAGED BACKGROUNDS

SEC. 168. (a) Section 787(a)(1) is amended by inserting "allied health," after "pharmacy."

(b) Section 787(a)(2) is amended—

(1) in subparagraph (A) by inserting "or allied health profession" before the comma at the end thereof;

(2) by striking out subparagraph (B) and redesignating subparagraphs (C), (D), and

(E), as subparagraphs (B), (C), and (D), respectively; and

(3) by inserting "enter and" before "complete" in subparagraph (B) (as redesignated by paragraph (2) of this subsection).

(c) Section 787(b) is amended to read as follows:

"(b) There are authorized to be appropriated for grants and contracts under this section \$18,000,000 for the fiscal year ending September 30, 1982, and for each of the next two fiscal years. No less than 80 percent of funds appropriated in each fiscal year shall be for grants or contracts to institutions of higher education and no more than 5 percent shall be used for grants or contracts having the primary purpose of informing individuals about the existence and general nature of health careers."

#### STARTUP GRANTS

SEC. 169. Section 788 is amended to read as follows:

#### "STARTUP GRANTS

"SEC. 788. There are authorized to be appropriated such sums as may be necessary to assure that any school that received a startup assistance grant under section 788 (a) (as such section was in effect prior to October 1, 1980) and would have reasonably expected to have received subsequent grants under such section in fiscal year 1981, 1982, or 1983, shall be eligible to receive such grants on the same terms and conditions as were contained in section 788(a) (as such section was in effect prior to October 1, 1980)."

#### GENERAL PROVISIONS

SEC. 170. Section 790 is amended to read as follows:

#### "PROJECTS IN PUBLIC HEALTH AND HEALTH ADMINISTRATION

"SEC. 790. (a) The Secretary may make grants to, and enter into contracts with, schools of public health, graduate programs in health administration, and other educational institutions that provide training in health administration, health planning, public health, and health policy analysis in order to assist such schools or programs in meeting the costs of special projects (including curriculum improvement and continuing education) in—

"(1) biostatistics or epidemiology;

"(2) health administration, health planning, or health policy analysis and planning;

"(3) environmental or occupational health;

"(4) diet and nutrition;

"(5) maternal and child health;

"(6) preventive medicine or dentistry;

"(7) gerontology; or

"(8) techniques for the evaluation of the cost, quality, and effectiveness of organizational structures and technology in the delivery of health care.

"(b) Not less than 80 percent of the amounts appropriated to carry out subsection (a) shall be awarded to schools of public health and graduate programs in health administration.

"(c) There are authorized to be appropriated to carry out the provisions of this section \$5,000,000 for the fiscal year ending September 30, 1982, and each of the next two fiscal years."

#### MISCELLANEOUS REPEAL

SEC. 171. Part G of title VII is repealed.

#### TITLE II—NURSE TRAINING

#### MISCELLANEOUS REPEALS

SEC. 201. (a) Subparts II and III of part A of title VIII are repealed.

(b) Subpart IV of part A of title VIII is redesignated as subpart II.

#### SPECIAL PROJECTS

SEC. 202. Section 820 is amended to read as follows:

**"SUPPORT FOR PRACTICING NURSES"**

"Sec. 820. (a) For the purposes of encouraging schools of nursing to provide support for practicing nurses and nursing aides, the Secretary may make grants to, and enter into contracts with, schools of nursing, public and nonprofit private hospitals, and other public and nonprofit private entities to assist in meeting the cost of projects to provide—

"(1) continuing education for nurses; "(2) programs, including continuing education, to provide professional support for nurses, including nurse practitioners practicing in health manpower shortage areas (designated under section 332);

"(3) appropriate retraining opportunities for nurses who (after periods of professional inactivity) desire to engage actively in the nursing profession;

"(4) training and education to upgrade the skills of licensed vocational or practical nurses, and nursing assistants and other paraprofessional nursing personnel, especially with regard to providing nursing services to special populations such as geriatric patients in nursing homes; and

"(5) programs to assist graduates of diploma and associate degree schools of nursing to enhance their educational credentials.

"(b) In awarding grants and contracts under this section, the Secretary shall give special consideration to schools of nursing.

"(c) There are authorized to be appropriated for the purposes of this section and sections 822 and 823, \$8,000,000 for the fiscal year ending September 30, 1982, \$10,000,000 for the fiscal year ending September 30, 1983, and \$12,000,000 for the fiscal year ending September 30, 1984."

**ADVANCED NURSE TRAINING PROGRAMS**

SEC. 203. Section 821 is amended to read as follows:

**"ADVANCED NURSE TRAINING PROGRAMS"**

"Sec. 821. (a) The Secretary may make grants to and enter into contracts with public and nonprofit private schools of nursing and other public and nonprofit private entities to meet the costs of projects to—

"(1) plan, develop, and operate programs; "(2) significantly expand programs; or "(3) maintain existing programs;

for the advanced training of professional nurses to teach in the various fields of nurse training, to serve in administrative or supervisory capacities, to serve in various fields of advanced clinical practice, or to serve as nurse practitioners.

"(b) The Secretary shall give special consideration under subsection (a) to applications—

"(1) from schools of nursing; "(2) which would provide a program for advanced training in geographic areas lacking such a program; or

"(3) which provide for opportunities for advanced training on a part-time basis.

"(c) For payments under grants and contracts under this section there are authorized to be appropriated \$14,000,000 for the fiscal year ending September 30, 1982, and each of the next two fiscal years."

**EDUCATIONAL ASSISTANCE TO INDIVIDUALS FROM DISADVANTAGED BACKGROUNDS**

SEC. 204. Section 822 is amended to read as follows:

**"EDUCATIONAL ASSISTANCE TO INDIVIDUALS FROM DISADVANTAGED BACKGROUNDS"**

"Sec. 822. (a) (1) For the purpose of increasing nursing education opportunities for individuals from disadvantaged backgrounds (as determined in accordance with criteria prescribed by the Secretary), the Secretary may make grants to and enter into contracts with schools of nursing and other public or private nonprofit health or educational en-

titles to assist in meeting the costs described in paragraph (2).

"(2) A grant or contract under paragraph (1) may be used by such school or other entity to meet the costs of—

"(A) identifying, recruiting, and selecting individuals from disadvantaged backgrounds for education and training in nursing, including advanced training;

"(B) providing counseling or other services designed to assist such individuals to enter and successfully complete their education at such a school;

"(C) providing, prior to the entry of such individuals into the regular course of education of such school, preliminary education designed to assist such individuals in successfully completing such regular course of education at such a school, or referring such individuals to institutions providing such preliminary education; and

"(D) publicizing existing sources of financial aid available to students in such a school and to students who are undertaking training necessary to qualify them to enroll in such a program, with particular emphasis on individuals—

"(1) who are in high school; or

"(11) who are practicing nurses and nursing assistants who want to upgrade their educational credentials.

"(b) Not more than 20 percent of the funds appropriated under this section may be used for grants to or contracts with entities that are not schools of nursing. Not more than 5 percent of the funds appropriated under this section may be used for grants or contracts having the primary purpose of informing individuals about the existence and general nature of health careers."

**STRENGTHENING NURSING EDUCATION**

SEC. 205. Subpart II of part A of title VIII (as redesignated by section 201 (b) of this Act) is amended by adding at the end thereof the following new section:

**STRENGTHENING NURSING EDUCATION**

"Sec. 823. (a) For the purposes of strengthening nursing education and the utilization of nurses, the Secretary may make grants to and enter into contracts with schools of nursing, public and nonprofit private hospitals, and other public and nonprofit private entities to assist in meeting the cost of projects to—

"(1) significantly improve the quality and extent of clinical education provided to students in schools of nursing, including demonstrations and evaluations of new or improved arrangements of providing such education;

"(2) plan, develop, establish, or maintain programs of research and investigation into methods of strengthening nursing education;

"(3) demonstrate and evaluate new or improved patterns of nursing care that will promote the full utilization of nurses or assist in the retention or reentry of nurses in active nursing practice; and

"(4) help to increase the supply or improve the distribution of adequately trained nursing personnel (including nursing personnel who are bilingual) by geographic area or by specialty group.

"(b) In awarding grants and contracts under this section, the Secretary shall give special consideration to schools of nursing."

**TRAINEESHIPS**

SEC. 206. (a) Section 830 (a) is amended— (1) by striking out subparagraph (D) of paragraph (1) and inserting in lieu thereof the following:

"(D) to serve in various fields of advanced clinical practice;"

(2) by striking out paragraph (2) and redesignating paragraph (3) as paragraph (2); and

(3) by inserting before the period in the

second sentence of paragraph (2) (as redesignated by paragraph (2) of this subsection) a comma and "whether full-time or part-time".

(b) Section 830 (b) is amended—

(1) by striking out "and" after "1978"; and

(2) by inserting before the period a comma and "and the next fiscal year, \$8,000,000 for the fiscal year ending September 30, 1982, and each of the next two fiscal years".

**TRAINEESHIPS FOR TRAINING OF NURSE ANESTHETISTS**

SEC. 207. Section 831 is repealed.

**LOAN AGREEMENTS**

SEC. 208. Section 835 (b) (4) is amended by striking out "and that while the agreement remains in effect no such student who has attended such school before October 1, 1980, shall receive a loan from a loan fund established under section 204 of the National Defense Education Act of 1958".

**INTEREST RATE**

SEC. 209. Section 836(b) (5) is amended to read as follows:

"(5) such a loan shall bear interest at the rate of 7 percent per year."

SEC. 210. Section 839 is amended by striking out "1983" each place it appears and inserting in lieu thereof "1986".

**TRANSFERS TO SCHOLARSHIP PROGRAM**

SEC. 211. Section 841 is repealed.

**SCHOLARSHIP GRANTS**

SEC. 212. Subpart III of part B of title VIII is repealed.

**NATIONAL ADVISORY COUNCIL ON NURSE TRAINING**

SEC. 213. Section 851(a) is amended by striking out "and the Commissioner of Education, both of whom shall be ex officio members,"

**DEFINITIONS**

SEC. 214. (a) Section 853(1) is amended by inserting "the Commonwealth of the Northern Mariana Islands," after "Virgin Islands,"

(b) Section 853(2) is amended by inserting "in a State" before the period.

(c) Section 853(6) is amended by striking out "Commissioner" each place it appears and inserting in lieu thereof "Secretary".

**DELEGATION**

SEC. 215. Section 856 is repealed.

**By Mr. HATCH:**

S. 800. A bill to amend the Public Health Service Act to revise provisions relating to research in health statistics and health services, support for medical libraries, and the National Research Service Awards, and for other purposes; to the Committee on Labor and Human Resources.

**HEALTH CARE RESEARCH AND RESEARCH TRAINING AMENDMENTS OF 1981**

Mr. HATCH. Mr. President, I am today introducing the Health Care Research and Research Training Amendments of 1981. This bill reauthorizes provisions for research in health statistics and health care delivery, continues support for medical libraries, and assures the continued research training of our Nation's future scientists.

I believe this bill carefully reexamines the existing programs in light of our current economic goals. In an economy of scarce resources, only those provisions that have a real effect on the quality of patient care or on the productivity of scientific research should be continued.

I will briefly describe the programs contained in this reauthorization and



discuss how this bill provides for what I believe to be the essential aspects of these programs while eliminating or consolidating those aspects that unnecessarily perpetuate our Federal bureaucracy and offer no real hope of improving health care or scientific research in the future.

The National Center for Health Statistics (NCHS) is the barometer of our Nation's health. It is the major Federal agency established specifically to collect and disseminate health data. Through its surveys and inventories, NCHS produces data on illness and disability, on the supply and use of health services, as well as the Nation's vital statistics on births, deaths, marriages, and divorces. While recognizing the critical importance of such activities, I believe that savings can be accomplished without substantially reducing the availability or usefulness of the health data that must be collected. Several surveys and reports can be produced on a periodic basis other than annually.

The cooperative health statistics system, an overly ambitious, unrealistic, and questionably effective program is replaced in the proposed bill with a less costly grant mechanism, which, at the discretion of the Secretary, can strengthen the ability of the States to develop appropriate statistical capability. My bill also deletes the requirement that the NCHS promulgate guidelines coordinating Federal data collection concerning the effects of employment and the environment on health because that responsibility is also within the duties of the Federal Statistical Policy Office of OMB.

My bill eliminates the National Center for Health Care Technology (NCHCT) because I believe those activities that are essential can be consolidated with other existing programs. The NCHCT, under current legislation, is mandated to undertake and support assessments of major, emerging, high-cost medical technologies.

Yet evidence shows that it is the thousands of small tests and procedures that account for a much larger proportion of total health care costs. Focusing on emerging technologies may only stifle necessary innovation.

To begin to control health costs we must continue to increase our understanding of what constitutes appropriate and efficient patient care. No form of Government regulation will provide the necessary answers, for the responsibility lies with the medical community. We should, however, continue to draw upon the resources of the National Institutes of Health and other appropriate programs to provide the medical community with better information on how to provide expensive medical services in a more cost-effective manner without compromising the quality of care.

The NIH currently has an ongoing program in which experts come together to discuss the state of the art of selected medical procedures and technologies. Randomized controlled clinical trials to assess the efficacy of medical technologies have been and should continue to be within the purview of the NIH. Under my bill, research to develop new method-

ologies for technology assessment may be undertaken in the Public Health Service.

An additional existing responsibility of NCHCT is to advise the Health Care Financing Agency (HCFA) regarding the appropriateness of reimbursement decisions under medicare.

NCHCT, in turn, relies in many instances on the National Institutes of Health for the appropriate medical and scientific advice. In my estimation, it would be a more efficient process if HCFA relied directly on the NIH for such information. Together HCFA and the NIH can assure public participation coupled with the opportunity for notice and comment in reimbursement issues.

The National Center for Health Service Research, under my proposal, will continue to provide relevant information concerning the development and evaluation of health service systems albeit under a reduced budget. Federal funding for several extramural health service research centers, established several years ago. Would, under this bill, not be continued beyond their original commitments. Private funding will continue to support the highest quality centers. These extramural centers can still compete for individual research grants—only the guaranteed core support would be eliminated.

The National Library of Medicine, housing the Nation's major collection of biomedical literature does not require reauthorization. The important services the library provides such as indexing, cataloging, and maintaining computer data bases must be continued at appropriate funding levels.

But I seriously question whether the Library of Medicine should be providing information and services in competition with the private sector. During the upcoming hearings on this bill I hope to thoroughly explore this issue. The Medical Library Assistance Act, the national library's extramural grant programs, does require reauthorization. Several provisions of this act are continued in the proposed legislation. Small hospital and medical libraries as well as local consortiums will continue to be eligible for grants for limited time periods to help develop their collections. The regional medical library program, an excellent national network of medical libraries that provides, among other services, inter-library loan and access to computerized bibliographic systems would continue to receive limited Federal support. The program's current plan to impose charges on a fee-for-service basis to individual users should be fully implemented. This will allow recovery of the program's cost and permit the network to be more self-supporting. The bill does not continue support for scientific publications because these projects are more appropriately funded elsewhere. High-priority, selective research in information systems is continued on a limited basis.

An important aspect of my bill would continue support for training high-quality research personnel in the biomedical and behavioral sciences, thus assuring a cadre of research scientists who will

meet the future health needs of our country. In 1974, research training authorities under the Public Health Service Act were consolidated into a mechanism called the National Research Service Awards (NRSA). Under this authority the Secretary of Health and Human Services provides both predoctoral and postdoctoral research training support.

Three changes are proposed in my bill. First, in apportioning the funds available under NRSA, the Secretary should give special priority to physician-investigators who seek to undertake a minimum of 2 years' scientific research. As documented by the National Academy of Sciences, there has been a decline in the number of physicians entering research careers.

While some of this decline is inevitable because research salaries cannot compete with income derived from the practice of clinical medicine, the research physician nonetheless has a very special role in attempting to solve important medical questions. We must assure a steady supply of these physician-investigators without ignoring the production of other investigators.

Second, my bill exempts the first 12 months of research training from the payback provision which requires continued service after completion of the training program. Although logical in theory, the payback requirement appears to act as a disincentive to the recruitment of physician investigators.

Third, my bill allows the Secretary, in accordance with regulation, to decide how best to allocate funds under an individual or institutional training grant in an attempt to reduce indirect and unnecessary program costs.

Mr. President, I ask unanimous consent that the text of the bill be printed in the RECORD.

There being no objection, the bill was ordered to be printed in the RECORD, as follows:

S. 800

*Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That (a) this Act may be cited as the "Health Care Research and Research Training Amendments of 1981".*

*(b) Except as otherwise specifically provided, whenever in this Act an amendment or repeal is expressed in terms of an amendment to, or a repeal of, a section or other provision, the reference shall be considered to be made to a section or other provision of the Public Health Service Act.*

#### TITLE I—RESEARCH AND TRAINING

##### GENERAL AUTHORITY

SEC. 101. (a) The section heading for section 304 is amended to read as follows:

"GENERAL AUTHORITY RESPECTING RESEARCH, EVALUATIONS, AND DEMONSTRATIONS IN HEALTH STATISTICS AND HEALTH SERVICES"

(b) (1) Section 304(a) (1) is amended—  
(A) by striking out the comma after "Research" and inserting in lieu thereof "and"; and

(B) by striking out "and the National Center for Health Care Technology."

(2) Section 304(a) (3) is repealed.

(c) (1) Section 304(b) (1) is amended by striking out "Health, Education, and Welfare," and inserting in lieu thereof "Health and Human Services."

(2) Section 304(b) is amended by striking

out paragraph (2) and by redesignating paragraphs (3) and (4) as paragraphs (2) and (3), respectively.

(3) Section 304(b)(2) (as redesignated by paragraph (2) of this subsection) is amended by striking out "305, 306, and 309" and inserting in lieu thereof "305 and 306".

(4) Section 304(b)(3) (as redesignated by paragraph (2) of this subsection) is amended by striking out "construct".

(d) (1) Section 304(c)(1) is amended—

(A) by striking out "Health, Education, and Welfare" and inserting in lieu thereof "Health and Human Services"; and

(B) by striking out "and the National Center for Health Care Technology" and inserting in lieu thereof "the National Institutes of Health and other appropriate Federal entities established under this Act".

(2) Section 304(c)(2) is amended by striking out "and the National Center for Health Care Technology" and inserting in lieu thereof "the National Institutes of Health and other appropriate Federal entities established under this Act".

(e) (1) Section 304(d)(1) is amended—

(A) by striking out "shall jointly and" before "in cooperation with";

(B) by inserting "may" before "conduct,"; and

(C) by striking out "section 308(i)(2)" and inserting in lieu thereof "section 301,".

(2) Section 304(d)(3) is amended—

(A) by inserting "Labor and" before "Human Resources"; and

(B) by striking out "shall be made by the Secretary and the Academy every two years after the date the first report is submitted" and inserting in lieu thereof "may be made by the Secretary and the Academy at such times as the Secretary and the Academy consider appropriate".

#### NATIONAL CENTER FOR HEALTH SERVICES RESEARCH

SEC. 102. (a) Section 305(a) is amended—

(1) by striking out "Health, Education, and Welfare" and inserting in lieu thereof "Health and Human Services"; and

(2) by striking out "and supervised by the Assistant Secretary for Health (or such other officer of the Department as may be designated by the Secretary as the principal adviser to him for health programs)".

(b) Section 305(b) is amended—

(1) by inserting "dissemination," after "evaluation,";

(2) by striking out "and" after the semicolon in paragraph (3);

(3) by striking out the period at the end of paragraph (4) and inserting in lieu thereof a semicolon and "and"; and

(4) by adding at the end thereof the following new paragraph:

"(5) the development of methods to improve competition among health care providers by giving providers greater incentives to provide lower cost medical care and consumers greater incentives to seek such care."

(c) Section 305(c)(3) is amended by striking out "Health, Education, and Welfare" and inserting in lieu thereof "Health and Human Services".

(d) Subsections (d) and (e) of section 305 are repealed.

#### NATIONAL CENTER FOR HEALTH STATISTICS

SEC. 103. (a) Section 305(a) is amended—

(1) by striking out "Health, Education, and Welfare" and inserting in lieu thereof "Health and Human Services"; and

(2) by striking out "and supervised by the Assistant Secretary for Health (or such other officer of the Department as may be designated by the Secretary as the principal adviser to him for health programs)".

(b) Section 306(c) is amended by inserting "Labor and" before "Human Resources".

(c) Section 306(e) is amended to read as follows:

"(e) For the purpose of producing com-

parable and uniform health information and statistics, the Secretary, acting through the Center, may—

"(1) coordinate the activities of Federal agencies involved in the production of such information and statistics;

"(2) undertake and support (by grant or contract) research, development, demonstrations, and evaluations in support of the production of such information and statistics;

"(3) make grants to and enter into contracts with State and local health agencies to assist them in meeting the costs of data collection and other activities incurred in the production of such information and statistics; and

"(4) review the statistical activities of the Department of Health and Human Services to assure that they are consistent with the production of such information and statistics."

(d) Section 306(j) is amended by striking out "Health, Education, and Welfare" and inserting in lieu thereof "Health and Human Services".

(e) Section 385(k)(4) is amended—

(1) by striking out "Health, Education, and Welfare" in clause (1) of subparagraph (C) and inserting in lieu thereof "Health and Human Services";

(2) by striking out "including the Federal-State-local cooperative health statistics system referred to in subsection (e)," in clause (ii) of subparagraph (C);

(3) by striking out "Health, Education, and Welfare, with respect to the Cooperative Health Statistics System established under subsection (e)" in subparagraph (D) and inserting in lieu thereof "Health and Human Services"; and

(4) by striking out "an annual" in subparagraph (G) and inserting in lieu thereof "a biennial".

(f) Section 306(l) is repealed.

#### GENERAL PROVISIONS

SEC. 104. (a) The section heading for section 308 is amended to read as follows:

"GENERAL PROVISIONS RESPECTING SECTIONS 304, 305, 306, AND 307"

(b) (1) Section 308(a)(1) is amended—

(A) by striking out "and section 309"; and

(B) by striking out "research, health statistics, and health care technology" and inserting in lieu thereof "research and health statistics".

(2) Section 308(a)(2) is amended by striking out "not later than September 1 of each year the following reports" and inserting in lieu thereof "every two years".

(c) (1) Section 308(b)(1) is amended by striking out "306, 307, and 309" and inserting in lieu thereof "306 and 307".

(2) Section 308(b)(2) is amended by striking out "\$35,000" and inserting in lieu thereof "\$50,000".

(d) Section 308(c) is amended by striking out "\$5,000,000" and inserting in lieu thereof "\$2,000,000".

(e) Section 308(d) is amended by striking out "307, or 309" and inserting in lieu thereof "or 307".

(f) Section 308(e) is amended by striking out "307, or 309" each place it appears and inserting in lieu thereof "or 307".

(g) Section 308(f) is amended by striking out "306, or 309" and inserting in lieu thereof "or 306".

(h) (1) Section 308(g)(1) is amended by striking out the last sentence.

(2) Section 308(g)(2) is amended by striking out "306, and 309" and inserting in lieu thereof "and 306".

(i) Section 308(h) is repealed.

(j) (1) Section 308(i) is redesignated as section 308(h).

(2) The first sentence of section 308(h)(1) (as redesignated by paragraph (1) of this subsection) is amended by striking out "and" after "1980," and by inserting before the period comma and "and \$20,000,000 for

the fiscal year ending September 30, 1982, and each of the two succeeding fiscal years".

(3) Section 308(h)(2) (as redesignated by paragraph (1) of this subsection) is amended by striking out "and" after "1980," and by inserting before the period a comma and "and \$35,300,000 for the fiscal year ending September 30, 1982, and each of the two succeeding fiscal years".

#### HEALTH CARE TECHNOLOGY

SEC. 105. (a) Section 309 is repealed.

(b) Section 310 is redesignated as section 309.

#### NATIONAL RESEARCH SERVICE AWARDS

SEC. 106. (a) (1) Section 472(a)(1)(A) is amended—

(A) by inserting "and" after the comma in clause (iii);

(B) by striking out clauses (iv), (v), and (vi);

(C) by redesignating clause (vii) as clause (iv); and

(D) by striking out "and the research described in clause (vi)" in clause (iv) (as redesignated by subparagraph (C) of this paragraph).

(2) Section 472(a)(3) is amended to read as follows:

"(3) In awarding National Research Service Awards under this section, the Secretary shall take account of the Nation's overall need for biomedical research personnel by giving special consideration to physicians who agree to undertake a minimum of 2 years of biomedical research."

(b) (1) Section 472(b)(1)(C) is amended by striking out "or (a)(1)(A)(iv)".

(2) Section 472(b)(2) is amended by striking out "Health, Education, and Welfare" and inserting in lieu thereof "Health and Human Services".

(3) (A) The first sentence of section 472(b)(5) is amended by inserting a comma and "tuition, fees," after "stipends".

(B) The second sentence of such section is amended by striking out "shall" and inserting in lieu thereof "may".

(c) (1) Section 472(c)(1) is amended to read as follows:

"(c) (1) Each individual who is awarded a National Research Service Award (other than an individual who is a prebaccalaureate student who is awarded a National Research Service Award for research training) shall, in accordance with paragraph (3), engage in health research or teaching or any combination thereof which is in accordance with the usual patterns of academic employment, for a period computed in accordance with paragraph (2)".

(2) Section 472(c)(2) is amended to read as follows:

"(2) For each month for which an individual receives a National Research Service Award which is made for a period in excess of twelve months, such individual shall engage in one month of health research or teaching or any combination thereof which is in accordance with the usual patterns of academic employment."

(3) The second sentence of section 472(c)(3) is amended to read as follows: "The Secretary shall by regulation prescribe the type of research and teaching in which an individual may engage to comply with such requirement and such other requirements respecting research and teaching as the Secretary considers appropriate."

(d) The first sentence of section 472(d) is amended by striking out "and" after "1980," and by inserting before the period a comma and "and \$150,000,000 for the fiscal year ending September 30, 1982, and each of the two succeeding fiscal years".

#### STUDIES RESPECTING BIOMEDICAL AND BEHAVIORAL RESEARCH PERSONNEL

SEC. 107. Section 473(c) is amended by striking out "Public Welfare" and inserting in lieu thereof "Human Resources".



## TITLE II—MEDICAL LIBRARIES

PART A—NATIONAL LIBRARY OF MEDICINE  
BOARD OF REGENTS

SEC. 201. Section 383(a) is amended by striking out "Assistant Director for Biological and Medical Sciences" and inserting in lieu thereof "Director".

## REGIONAL BRANCHES OF THE NATIONAL LIBRARY OF MEDICINE

SEC. 202. Section 388 is repealed.

PART B—ASSISTANCE TO MEDICAL LIBRARIES  
DECLARATION OF POLICY, STATEMENT OF PURPOSE, AND AUTHORIZATION OF APPROPRIATIONS

SEC. 211. Section 390 is amended—

- (1) by striking out subsections (a) and (b);
- (2) by striking out "(c)" before "For"; and

(3) by adding at the end thereof the following new sentence: "For the purposes of grants and contracts under sections 394, 395, and 396, there are authorized to be appropriated \$6,000,000 for the fiscal year ending September 30, 1982, \$6,000,000 for the fiscal year ending September 30, 1983, and \$6,000,000 for the fiscal year ending September 30, 1984."

## TRAINING GRANTS

SEC. 212. Section 393 is repealed.

## RESEARCH AND DEVELOPMENT

SEC. 213. (a) The section heading for section 394 is amended by striking out "ASSISTANCE FOR SPECIAL SCIENTIFIC PROJECTS, AND FOR".

(b) Section 394 is amended by striking out subsection (a) and by redesignating subsections (b) and (c) as subsections (a) and (b), respectively.

(c) Section 394(a) (as redesignated by subsection (a) of this section) is amended by striking out "carry out the purposes of section 390(b)(3) the Secretary shall" and inserting in lieu thereof "promote research about access to, the retrieval of, and the use of information concerning sciences related to health, the Secretary may".

## BASIC RESOURCE GRANTS

SEC. 214. (a) Section 395(a) is amended by striking out "carry out the purposes of section 390(a)(4), the Secretary shall" and inserting in lieu thereof "promote, in a geographic area, the sharing and availability of information concerning sciences related to health, the Secretary may".

(b) Section 395(b)(2) is amended by striking out "\$200,000" and inserting in lieu thereof "\$100,000".

## REGIONAL MEDICAL LIBRARIES

SEC. 215. (a) Section 396(a) is amended—

- (1) by striking out "carry out the purposes of section 390(b)(5)" and inserting in lieu thereof "promote efficient, access to information concerning sciences related to health"; and
- (2) by striking out "shall" after "Board," and inserting in lieu thereof "may".

(b) Section 396(b) is amended—

- (1) by striking out paragraphs (1), (2), (3), and (5);
- (2) by redesignating paragraph (4) as paragraph (1) and by striking out "and" after the semicolon in such paragraph;
- (3) by inserting after paragraph (1) (as redesignated by paragraph (2) of this subsection) the following new paragraphs:

"(2) regional coordination of access to computerized bibliographic data bases; and

"(3) planning for services that promote, in a geographic area, the sharing and availability of information concerning sciences related to health."

(c) (1) Clause (B) of section 396 (c) (1) is amended to read as follows: "(B) to charge fees for individual user services in accordance with guidelines issued by the Secretary."

- (d) Section 396(d) is repealed.
- (e) Subsections (e) and (f) of section 396 are redesignated as subsections (d) and (e), respectively.

## BIOMEDICAL SCIENTIFIC PUBLICATIONS

SEC. 216. Section 397 is repealed.

## RECORDS AND AUDIT

SEC. 217. Section 399(b) is amended by striking out "Health, Education, and Welfare" and inserting in lieu thereof "Health and Human Services".

## TITLE III—ASSESSMENT OF HEALTH CARE TECHNOLOGIES

## SECRETARIAL AUTHORITY

SEC. 301. Section 301(b) is amended by redesignating paragraph (5) as paragraph (6) and by inserting after paragraph (4) the following new paragraph:

"(5) (A) In order to provide the medical community with improved information on means of providing medical services at lower costs without compromising the quality of patient care, the Secretary may undertake, support, and disseminate (by grant or contract) assessments of particular health care procedures, practices, or technologies, and research relevant to such assessments. Any assessment undertaken or supported under this section shall take into account the efficacy, effectiveness and cost effectiveness of any health care procedure, practice, or technology which is the subject of the assessment. Whenever practicable, the Secretary shall, in undertaking such assessments, seek the assistance of the medical community, the health care industry, health care insurers, and other appropriate public and private entities.

"(B) The Assistant Secretary for Health, acting through the National Institutes of Health or any other appropriate Federal entity established under this Act, may, after consultation with other appropriate public and private entities, make recommendations to the Secretary respecting issues relating to health care procedures, practices, and technologies in the administration of the laws under the Secretary's jurisdiction, including recommendations with respect to reimbursement policy.

"(C) For the purposes of this section, the term 'health care procedure, practice, or technology' means any discrete and identifiable regimen or modality used to diagnose and treat illness, prevent disease, monitor patient well-being or facilitate the provisions of health care services."

## By Mr. HATCH:

S. 801. A bill to amend the Public Health Service Act to revise provisions relating to the National Health Service Corps; to the Committee on Labor and Human Resources.

## NATIONAL HEALTH SERVICE CORPS AMENDMENTS OF 1981

Mr. HATCH. Mr. President, I am today introducing the National Health Service Corps Amendments of 1981, an important step in providing adequate health manpower for our Nation's underserved in a fiscally responsible manner.

The major features of the bill are:

First, a revision of the definition of health manpower shortage areas and the procedural steps necessary for an area to achieve such designation;

Second, use of Corps personnel only in areas where there is a demonstrable demand for their services as well as a statistically established need;

Third, an authorization level, consistent with the President's March 10 request, which allows the Corps to grow from 2,060 individuals in 1981 to a level

of 2,500 assignees in 1982 and subsequent years;

Fourth, the phaseout over the next 3 years of the National Health Service Corps scholarship program, currently funded to provide over 6,000 assignees in 1987, to reflect the fact that the NHSC will be capable of recruiting sufficient volunteers during the late 1980's to meet its needs;

Fifth, revision of the scholarship program's independence practice option to make it more attractive and to provide a partial subsidy for individuals choosing this option;

Sixth, provisions which allow the Secretary of HHS substantially greater flexibility in dealing with the surfeit of scholarship recipients who will be available for service over the next 5 years.

The National Health Service Corps has often been looked upon as an educational tool rather than as a health services delivery program. As a consequence, the program has been planned and developed without regard for the most notable fact of the health care delivery system in the 1980's: That we will have by mid-decade a substantial surplus of physicians and that the resulting competitive forces are pushing doctors into areas where they have not previously been available. There are undoubtedly some areas for which no increased amount of competition in the health care delivery system will provide a readily accessible doctor. It is for this reason that the Corps, while undergoing substantial modification and reorientation under this bill, would nonetheless continue to grow slightly from its 1980 level and would probably stay at that increased level at least through the 1980's.

This reorienting of the National Health Service Corps is more than just an adjustment of numbers because of the oncoming surplus. Last September, in an oversight hearing chaired by Senator Richard S. Schweiker, the Labor and Human Resources Committee heard ample testimony about the administrative and conceptual shortcomings of the Corps and about the bloated image of medical underservice in America created by the current "health manpower shortage area" designation process. To remedy these faults, as well as to assure that Corps placements serve the most needy communities, basic changes have been made in the designation definition and procedures. This is also important because of an apparent contradiction: That the placement of a federally salaried National Health Service Corps physician in a community is often an impediment rather than an asset in a community's long-term struggle to find a permanent doctor. Thus, the definition of health manpower shortage area is changed to assure that the Secretary, in making such designations, takes account of: Reasonable access to nearby adequately served areas; indicators of unmet demands for health services by individuals in the area; indicators of the likelihood that unmet demand will be met within 2 years even if the area is not designated; the willingness of groups within the community to support and properly utilize Corps personnel; and the

comments of appropriate agencies, including medical and professional societies and State and local planning agencies. To a greater extent than under current procedures, this information would be required to be provided to the Secretary prior to designation of an area and placement of personnel.

With these changes made, the Corps would be allowed to grow from 2,060 individuals in 1981 to 2,500 individuals in 1982. At this level, and with increased administrative oversight of the effectiveness of existing placements, it is hoped that the National Health Service Corps will become a truly important service to those communities which are truly underserved.

The bill also deals with the impact of unnecessarily ambitious plans for the growth of the National Health Service Corps. In 1980 the Corps had not quite 2,000 individuals in service but awarded almost 6,500 scholarships to individuals who will be ready to serve in the mid to late 1980's. In view of the recent evidence that the physician surplus is having a significant effect on the geographical distribution of physicians, this substantial future growth of the Corps is unnecessary.

However, the Secretary of HHS will, over the next 6 years, be in the difficult situation of releasing some of these scholarship recipients from their service obligation because of this excess capacity building. To deal with this, this bill starts immediately to trim the pipeline by allowing scholarship awards only to those who have received awards in previous years.

In addition, a long-standing program, known as the private practice option and renamed the independent practice option, is strengthened to allow the Secretary more flexibility in encouraging individuals to serve, at their own financial risk, in underserved areas during their obligated period. A new provision allows the Secretary to pay the malpractice insurance and a partial income supplement to individuals who choose this option. Such payments are still a considerable savings over having these individuals serve on the Federal payroll. The independent practice option also provides greater incentives for service-obligated individuals to develop good relationships with the community they serve and to stay in that community for longer periods of time.

The bill allows the Secretary to enter into negotiation with past scholarship recipients to convert their service obligation, at the Secretary's discretion, into a low-interest loan. This is a necessary cost saving provision, if the Federal Government is to avoid unnecessarily spending hundreds of millions of dollars on the salaries of physicians who would be serving communities that are able to attract a physician on their own or for which health services are reasonably accessible in adjacent areas.

It is important to emphasize that this bill requires no reduction in services provided to underserved communities across this Nation. In fact the number of individuals actually serving in the Corps will be increased. However, the bill does provide the Secretary an opportunity to

make more realistic and more highly focused use of Corps personnel. Inevitably this may mean that some communities may lose their National Health Service Corps personnel because a tightened definition of health manpower shortage area requires redesignation of their service area, or facilities with unreasonably low demand levels are defunded. I emphasize that those communities with substantial numbers of individuals who are geographically underserved will continue to receive services through this program.

I ask unanimous consent that the text of the bill be printed in the RECORD.

There being no objection, the bill was ordered to be printed in the RECORD, as follows:

#### S. 801

*Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That (a) this Act may be cited as the "National Health Service Corps Amendments of 1981".*

(b) Except as otherwise specifically provided, whenever in this Act an amendment or repeal is expressed in terms of an amendment to, or a repeal of, a section or other provision, the reference shall be considered to be made to a section or other provision of the Public Health Service Act.

#### ESTABLISHMENT

SEC. 2. (a) Section 331(b) is amended by striking out "shall" and inserting in lieu thereof "may" and by striking out "and the Scholarship Program".

(b) (1) Section 331(d)(1)(A) is amended by striking out "shall" and inserting in lieu thereof "may".

(2) Section 331(d)(1)(B) is amended by striking out "shall" and inserting in lieu thereof "may".

(c) Subsections (f) and (g) of section 331 are repealed.

(d) (1) Subsection (h) of section 331 is redesignated as subsection (f).

(2) Section 331(f)(1) (as redesignated by paragraph (1) of this subsection) is amended by striking out "Health, Education, and Welfare" and inserting in lieu thereof "Health and Human Services".

(3) Section 331(f)(2) (as redesignated by paragraph (1) of this subsection) is amended by striking out "section 751" and inserting in lieu thereof "section 338A".

(4) Section 331(f)(3) (as redesignated by paragraph (1) of this subsection) is amended by inserting "Commonwealth of the" before "Northern Mariana Islands".

#### DESIGNATION OF HEALTH MANPOWER SHORTAGE AREAS

SEC. 3. (a) Section 332(a) is amended to read as follows:

"(a) For purposes of this subpart, the term 'health manpower shortage area' means an area in an urban or rural area which—

"(1) need not conform to the geographic boundaries of a political subdivision.

"(2) is a rational area for the delivery of health services;

"(3) the Secretary determines has a health manpower shortage; and

"(4) is not reasonably accessible to an adequately served area."

(b) Section 332(b) is amended to read as follows:

"(b) The Secretary shall establish by regulation, promulgated not later than January 1, 1982, criteria for the designation of areas in the States as health manpower shortage areas. In establishing such criteria, the Secretary shall take into consideration the following:

"(1) The ratio of available health manpower to the number of individuals in an area under consideration for designation.

"(2) Indicators of a need for health services for the individuals in an area under consideration for designation, including indicators of special needs of facilities and population within the area and indicators of—

"(A) infant mortality,  
"(B) access to health services, and  
"(C) health status.

"(3) Indicators of an unmet demand for health services by individuals in an area and indicators of the likelihood that such demand will be met within two years after the area is considered for designation as a health manpower shortage area if the area is not so designated."

(c) Section 332(c) is repealed.

(d) (1) Section 332(d) is redesignated as section 332(c).

(2) Section 332(c) (as redesignated by paragraph (1) of this subsection) is amended—

(A) by striking out "and the considerations listed in subsection (c)";

(B) by striking out "November 1, 1977" and inserting in lieu thereof "January 1, 1982"; and

(C) by striking out "areas, population groups, medical facilities, and other public facilities" and inserting in lieu thereof "areas".

(e) Section 332(e) is repealed.

(f) (1) Section 332(f) is redesignated as section 332(d).

(2) Section 332(c) (as redesignated by paragraph (1) of this subsection) is amended—

(A) by inserting "proposed" before "designation";

(B) by striking out "from the date" and inserting in lieu thereof "before the date";

(C) by striking out "areas, population group, medical facility, or other public facility so" in paragraph (1) and inserting in lieu thereof "area to be";

(D) by inserting "and" after the semicolon in paragraph (1);

(E) by striking out paragraph (2);

(F) by redesignating paragraph (3) as paragraph (2);

(G) by inserting "(including medical and professional societies and State and local health planning agencies)" before "which are located" in paragraph (2) (as redesignated by subparagraph (F) of this paragraph); and

(H) by striking out "so" in paragraph (2) (as redesignated by subparagraph (F) of this paragraph) and inserting in lieu thereof "to be".

(g) Section 332(g) is repealed.

(h) (1) Section 332(h) is redesignated 332(e).

(2) Section 332(e) (as redesignated by paragraph (1) of this subsection) is amended—

(A) by striking out "shall" and inserting in lieu thereof "may"; and

(B) by striking out "areas, among population groups, and in medical facilities and other public facilities designated under this section as".

#### ASSIGNMENT OF CORPS PERSONNEL

SEC. 4. (a) Section 333(a)(1)(D) is amended—

(1) by striking out beginning with "in the case of" through "which has expired";

(2) by striking out "continued need" in clause (1) and inserting in lieu thereof "need and demand";

(3) by inserting "intended" before "use of Corps members" in clause (1);

(4) by striking out "previously" before "assigned to the area" in clause (1) and inserting in lieu thereof "to be";

(5) by striking out "fiscal management by the entity with respect to Corps members previously assigned" in clause (1) and inserting in lieu thereof "the fiscal manage-



ment capability of the entity to which Corps members would be assigned";

(6) by striking out "continued need" in clause (ii) (I) and inserting in lieu thereof "need and demand";

(7) by striking out "has been" in clause (ii) (II) and inserting in lieu thereof "will be";

(8) by striking out "previously" in clause (ii) (II);

(9) by striking out "continued" in clause (ii) (IV) and inserting in lieu thereof "unsuccessful";

(10) by striking out "has been" in clause (ii) (V) and inserting in lieu thereof "is a reasonable prospect of"; and

(11) by striking out "previously" in clause (ii) (V).

(b) Section 333(b) is amended to read as follows:

"(b) The Secretary may not approve an application under this section for assignment of a Corps member to a health manpower shortage area unless the Secretary has afforded appropriate public or nonprofit private entities (including medical and professional societies and State and local health planning agencies) which are located or which have a demonstrated interest in the area so designated an opportunity to review the application and submit to the Secretary its comments respecting the need for, and proposed use of, the Corps member requested in the application."

(c) Section 333(c) is amended—

(1) by striking out "area, population group, medical facility, or other facility" in paragraph (1) and inserting in lieu thereof "area";

(2) by inserting "and" after the semicolon in paragraph (1);

(3) by striking out paragraphs (2) and (4) and by redesignating paragraph (3) as paragraph (2);

(4) by striking out "or population group, or at the medical facility or other public facility," in paragraph (2) (as redesignated by paragraph (3) of this subsection); and

(5) by striking out the semicolon and "and" at the end of paragraph (2) (as redesignated by paragraph (3) of this subsection) and inserting in lieu thereof a period.

(d) Section 333(d) is amended by striking out "areas, population groups, medical facilities, or other public facilities" and inserting in lieu thereof "areas".

(e) (1) Section 333(f) (1) is amended by striking out "shall" and inserting in lieu thereof "may" and by striking out "or has a demonstrated interest".

(2) Section 333(f) (2) is amended by striking out "shall" and inserting in lieu thereof "may" and by striking out "or has a demonstrated interest".

(3) Section 333(f) (3) is amended by striking out "shall" and inserting in lieu thereof "may".

(f) Section 333(g) is repealed.

(g) Section 333(h) is redesignated as section 333(g).

#### COST SHARING

SEC. 5. (a) Section 334(b) is amended—

(1) by striking out paragraph (2);

(2) by redesignating paragraph (3) as paragraph (2); and

(3) by striking out "or (2)" in paragraph (2) (as redesignated by paragraph (2) of this subsection).

(b) The second sentence of section 334(d) is amended by striking out "or without charge".

(c) Section 334(e) is amended by striking out "this subpart" and inserting in lieu thereof "sections 331 through 335 and section 337".

#### PROVISION OF HEALTH SERVICES BY CORPS MEMBERS

SEC. 6. (a) (1) Section 335(a) is amended by striking out "population group, medical facility, or other public facility,".

(2) Clause (2) of section 335(a) is amended to read as follows: "(2) in a manner which is cooperative with, and not competitive with, other health care providers serving such health manpower shortage area."

(b) The first sentence of section 335(c) is amended—

(1) by inserting "and" before "(3)";

(2) by striking out "; and (4) establishing appropriate continuing education programs".

#### ANNUAL REPORTS

SEC. 7. Section 336 is repealed.

#### NATIONAL ADVISORY COUNCIL

SEC. 8. (a) Section 337(a) is amended to read as follows:

"(a) There is established a council to be known as the National Advisory Council on the National Health Service Corps (hereinafter in this section referred to as the 'Council'). The Council shall be composed of not more than 15 members appointed by the Secretary. The Council shall consult with, advise, and make recommendations to, the Secretary with respect to his responsibilities in carrying out this subpart, and shall review and comment upon regulations promulgated by the Secretary under this subpart."

(b) The last sentence of section 337(b) (1) is amended by inserting "not" before "be reappointed".

#### AUTHORIZATION OF APPROPRIATION

SEC. 9. (a) Section 338(a) is amended—

(1) by striking out "this subpart" and inserting in lieu thereof "sections 331 through 335 and section 337";

(2) by striking out "and" after "1979"; and

(3) by inserting before the period a semicolon and the following "\$85,000,000 for the fiscal year ending September 30, 1981; \$99,000,000 for the fiscal year ending September 30, 1982; \$110,000,000 for the fiscal year ending September 30, 1983; and \$120,000,000 for the fiscal year ending September 3, 1984".

(b) Section 338(b) is amended by striking out "this subpart" and inserting in lieu thereof "sections 331 through 335 and section 337".

#### NATIONAL HEALTH SERVICE CORPS SCHOLARSHIP PROGRAM

SEC. 10. (a) Sections 751, 752, 753, 754, 755, 756, and 757 are redesignated as sections 338A, 338B, 338C, 338D, 338E, 338F, and 338G, respectively.

(b) (1) Section 338A(C) (1) (as redesignated by subsection (a) of this section) is amended by striking out "section 754" and inserting in lieu thereof "section 338D".

(2) Section 338A(f) (1) (A) (ii) (as redesignated by subsection (a) of this section) is amended by striking out "subpart II of part D of title III" and inserting in lieu thereof "sections 331 through 335 and section 337".

(3) Section 338A(f) (2) (as redesignated by subsection (a) of this section) is amended by striking out "subpart II of part D of title III" and inserting in lieu thereof "sections 331 through 335 and sections 337 and 338".

(4) Section 338A(f) (3) (as redesignated by subsection (a) of this section) is amended by striking out "section 754" and inserting in lieu thereof "section 338D".

(5) Subsections (i) and (j) of section 338A (as redesignated by subsection (a) of this section) are repealed.

(c) (1) Section 338B(a) (as redesignated by subsection (a) of this section) is amended—

(A) by striking out "section 753" and inserting in lieu thereof "section 338C"; and

(B) by striking out "section 751" and inserting in lieu thereof "section 338A".

(2) (A) Section 338B(b) (4) (as redesignated by subsection (a) of this section) is

amended by striking out "section 753" and inserting in lieu thereof "section 338C".

(B) Section 338B(b) (5) (D) (2) (as redesignated by subsection (a) of this section) is amended by striking out "section 753" and inserting in lieu thereof "section 338C".

(3) Section 338B(d) (as redesignated by subsection (a) of this section) is amended by striking out "subpart II of part D of title III" and inserting in lieu thereof "sections 331 through 335 and sections 337 and 338".

(d) (1) The section heading for section 338C (as redesignated by subsection (a) of this section) is amended to read as follows: "INDEPENDENT PRACTICE".

(2) Section 338C(a) (as redesignated by subsection (a) of this section) is amended—

(A) by striking out "shall" and inserting in lieu thereof "may, to the extent permitted by, and consistent with, the requirements of applicable State law";

(B) by striking out "his" before "service obligation" each place it appears and inserting in lieu thereof "the";

(C) by striking out "section 752(a)" and inserting in lieu thereof "section 338B(a)" or under section 225 as in effect prior to October 1, 1977";

(D) by striking out "private clinical practice" and inserting in lieu thereof "independent practice"; and

(E) by striking out "his" before "health profession" and inserting in lieu thereof "the individual's".

(3) Section 338C(b) (as redesignated by subsection (a) of this section) is amended—

(A) by striking out "private practice" in paragraph (1) and inserting in lieu thereof "independent practice";

(B) by striking out "and" after the semicolon in subparagraph (A) of paragraph (1);

(C) by adding at the end of paragraph (1) the following new subparagraph:

"(C) the individual, in providing health care services covered by part A or part B of title XVIII of the Social Security Act, shall agree to accept assignment and to accept the reasonable charge as payment in full,"; and

(D) by redesignating paragraph (2) as paragraph (3) and inserting the following new paragraph after paragraph (1):

"(2) provide for the submission of periodic reports as required by the Secretary;"

(4) Section 338C (as redesignated by subsection (a) of this section) is further amended by adding at the end thereof the following new subsections:

"(c) The Secretary shall provide to each individual released from service obligation under this section technical assistance to assist such individual in fulfilling his or her agreement under this section.

"(d) Failure to meet the terms of the agreements under subsection (b) shall be considered a breach of the scholarship contract as provided in section 338D.

"(e) The Secretary shall, out of appropriations authorized under section 338, pay to individuals participating in independent practice under this section the cost of such individual's malpractice insurance and the lesser of—

"(1) (A) \$10,000 in the first year of obligated service;

"(B) \$7,500 in the second year of obligated service;

"(C) \$5,000 in the third year of obligated service; and

"(D) \$2,500 in the fourth year of obligated service; or

"(2) an amount determined by subtracting such individual's net income before taxes from the income the individual would have received as a member of the Corps for each such year of obligated service."

(e) (1) Section 338D (as redesignated by subsection (a) of this section) is amended by striking out subsection (a) and redesignating subsections (b), (c), and (d) as subsections (a), (b), and (c), respectively.

(2) Section 338D (a) (as redesignated by subsection (a) of this section and paragraph (1) of this subsection) is amended—

(A) by striking out "section 751" and inserting in lieu thereof "section 338A";

(B) by striking out "or" at the end of paragraph (2);

(C) by inserting "or" at the end of paragraph (3); and

(D) by inserting after paragraph (3) the following new paragraph:

"(4) fails to accept payment, or instructs the educational institution in which he is enrolled not to accept payment, in whole or in part, of a scholarship under such contract."

(3) Section 338D(b) (as redesignated by subsection (a) of this section and paragraph (1) of this subsection) is amended—

(A) by striking out "(for any reason)" and inserting in lieu thereof "(for any reason not specified in subsection (a) or section 338F (b))";

(B) by striking out "section 752 or 753" and inserting in lieu thereof "section 338B or 338C";

(C) by striking out "section 752" and inserting in lieu thereof "section 338B"; and

(D) by striking out "section 753" and inserting in lieu thereof "section 338C".

(f) (1) The section heading for section 338E (as redesignated by subsection (a) of this section) is amended by striking out "GRANTS" and inserting in lieu thereof "LOANS".

(2) Section 338E(a) (as redesignated by subsection (a) of this section) is amended:

(A) by inserting a comma and "out of appropriations authorized under section 338," after "The Secretary may";

(B) by striking out "grant" and inserting in lieu thereof "loan"; and

(C) by striking out "(other than an individual who has entered into an agreement under section 753)".

(3) Section 338E(a)(2)(A) (as redesignated by subsection (a) of this section) is amended by striking out "and described in paragraphs (1) and (2) of section 753(a)".

(4) Section 338E(a)(2)(B) (as redesignated by subsection (a) of this section) is amended by striking out "section 753(b)(1)" and inserting in lieu thereof "section 338C (b)(1)".

(5) Section 338E(a) (as redesignated by subsection (a) of this section) is further amended by striking out the last sentence.

(6) Section 338E(b) (as redesignated by subsection (a) of this section) is amended by striking out "grant" and inserting in lieu thereof "loan".

(7) Section 338E(c) (as redesignated by subsection (a) of this section) is amended by striking out "grant" and inserting in lieu thereof "loan" and by adding at the end thereof the following new sentence: "The Secretary shall set by regulation interest rates and repayment terms for loans under this section."

(8) The second sentence of section 338E(d) (as redesignated by subsection (a) of this section) is amended by striking out "120 days" and inserting in lieu thereof "60 days" and by striking out beginning with "an amount determined under section 754(c)" through the period and at the end thereof inserting in lieu thereof "within 90 days, the full amount of the principal and interest owed by such individual under this section."

(g) (1) (A) The first sentence of section 338F(a) (as redesignated by subsection (a) of this section) is amended by striking out "this subpart" and inserting in lieu thereof "sections 338A through 338E".

(B) The second sentence of section 338F(a) (as redesignated by subsection (a) of this

section) is amended by striking out "two" and inserting in lieu thereof "three".

(2) Section 338F (as redesignated by subsection (a) of this section) is further amended by striking out subsection (b) and inserting in lieu thereof the following new subsections:

"(b) Notwithstanding any other provision of this subpart—

"(1) the Secretary may not enter into any new or continuing scholarship contract after September 30, 1981, unless such contract provides that, at the Secretary's option, the contract may be converted into a loan agreement under which the individual is relieved of his service obligation and becomes liable for repayment, at 7 percent simple interest from the date of disbursement, of all sums provided to such individual by the Federal Government under such contract; and

"(2) the Secretary may negotiate with individuals for the modification of any scholarship contract entered into under this subpart prior to October 1, 1981, to include the provision described in paragraph (1) of this subsection.

"(c) In establishing any loan agreement under subsection (b), the Secretary shall set reasonable terms for the period of the loan and the date upon which repayment begins.

"(d) In implementing subsection (b), the Secretary may negotiate interest rates and repayment terms more favorable to the individual conditioned upon such individual establishing an independent practice in a health manpower shortage area (designated under section 332)."

(h) Section 338G(a) (as redesignated by subsection (a) of this section) is amended by striking out "section 756(a)" and inserting in lieu thereof "section 338F(a)".

#### By Mr. ZORINSKY:

S. 802. A bill to remove the Soviet grain embargo unless the President takes certain action; to the Committee on Banking, Housing, and Urban Affairs.

#### SOVIET GRAIN EMBARGO

Mr. ZORINSKY. Mr. President, yesterday the Senate passed over my amendment on the grain embargo in favor of a nearly meaningless sense of the Senate resolution. I voted present on the substitute amendment because I could in good conscience neither reject any expression of disapproval of the embargo, nor support such a sham.

My colleague from Iowa, I know, feels as strongly as I that the embargo on sales of grain to the Soviet Union must be terminated. Under the circumstances, however, I cannot agree with his approach to the problem.

I offered an amendment which would have forced the President to live up to his campaign pledge of an expeditious decision on the embargo. My colleagues chose instead to simply reiterate yet another time the Senate's desire to end the embargo.

I cannot believe that this President is not aware of the sentiments of the Senate and of the people they represent. America's grain producers are tired of hearing speeches. They are tired of hearing that the Senate has told President Reagan how they feel. America's farmers do not want to hear that the Senate has again told President Reagan where it stands on the embargo. They want to know where they stand. The Senate yesterday had the opportunity to get that answer for the men and women toiling in America's corn and wheat fields, and they refused to use it.

After nearly 5 months studying the problem and more than 2 months in the White House, President Reagan still has made no decision on the embargo. America's farmers are still suffering under the yoke of an unfair and discriminatory restriction of their markets. They are still the sole bearers of the national security and foreign policy burden placed on them by a previous administration.

Under the guise of reviewing the situation, the Reagan administration has kept the embargo in place. If this continues much longer, Mr. President, I will be forced to believe that a decision has indeed been made—a decision to continue to embargo indefinitely and to deceive the American people into believing that it is still in fact under review.

For that reason, Mr. President, I am introducing today legislation paralleling the amendment which was so shamefully rejected yesterday. I would urge all of my colleagues to join me in securing prompt passage of the bill, and to resolve, once and for all, the question of President Reagan's intentions on the embargo. I ask unanimous consent that the text of the bill be printed in the RECORD.

There being no objection, the bill was ordered to be printed in the RECORD, as follows:

#### S. 802

*Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,* That, notwithstanding any other provision of law, effective 30 days after the date of enactment of this Act, the restrictions on the exportation of agricultural products to the Union of Soviet Socialist Republics imposed on January 7, 1980, shall expire unless, prior to such effective date, the President certifies to Congress that—

(1) the continuation of such restrictions is necessary to further significantly the national security and foreign policy interests of the United States; and

(2) the continuation of such restrictions will not have an undue adverse effect nor unfairly impose a discriminatory burden on the agricultural economy and the farmers of the United States.

If the President does not make the certifications provided for in the preceding sentence, the President may, nonetheless, delay for a reasonable time the expiration of the restrictions and resumption of normal grain trade with the Union of Soviet Socialist Republics by certifying to Congress, prior to the effective date of the preceding sentence, that the President intends to negotiate a new bilateral grains agreement with the Union of Soviet Socialist Republics to replace the agreement that expires September 30, 1981.

#### ADDITIONAL COSPONSORS

#### S. 63

At the request of Mr. RANDOLPH, the Senator from Minnesota (Mr. BOSCHWITZ), the Senator from Minnesota (Mr. DURENBERGER), and the Senator from Missouri (Mr. DANFORTH) were added as cosponsors of S. 63, a bill to amend the Clean Air Act to provide compliance date extensions for steelmaking facilities on a case-by-case basis to facilitate modernization.

#### S. 458

At the request of Mr. CRANSTON, the Senator from North Dakota (Mr. BURDICK) and the Senator from Delaware



(Mr. BIDEN) were added as cosponsors of S. 458, a bill to amend title 38, United States Code, to extend the period of eligibility for certain Vietnam-era veterans to request readjustment counseling, to extend the program of veterans readjustment appointments in the Federal Government, and to extend the educational assistance and rehabilitation program delimiting periods for Vietnam-era and service-connected disabled veterans, respectively, under certain circumstances.

S. 498

At the request of Mr. HART, the Senator from Oregon (Mr. PACKWOOD) and the Senator from Nevada (Mr. CANNON) were added as cosponsors of S. 498, a bill to amend the Internal Revenue Code of 1954 to provide a tax credit to homebuilders for the construction of residences incorporating certain solar energy utilization characteristics.

S. 533

At the request of Mr. STAFFORD, the Senator from Wisconsin (Mr. PROXMIER) was added as a cosponsor of S. 533, a bill to establish public buildings policies for the Federal Government to establish the Public Buildings Service in the General Services Administration, and for other purposes.

S. 702

At the request of Mr. BAUCUS, the Senator from Minnesota (Mr. DURENBERGER), the Senator from Iowa (Mr. JEPSEN), the Senator from Kansas (Mrs. KASSEBAUM), and the Senator from Idaho (Mr. SYMMS), were added as cosponsors of S. 702, a bill to allow an income deduction for certain motor carrier operating authorities to offset the impact of the Motor Carrier Reform Act of 1980.

S. 750

At the request of Mr. WALLOP, the Senator from Connecticut (Mr. WEICKER) was added as a cosponsor of S. 750, a bill to amend the Internal Revenue Code of 1954 to provide nonrefundable tax credits for investments in qualified industrial energy efficiency and fuel conversion projects, and for other purposes.

## SENATE JOINT RESOLUTION 40

At the request of Mr. RIEGLE, the Senator from North Dakota (Mr. ANDREWS) was added as a cosponsor of Senate Joint Resolution 40, a joint resolution to designate April 26, 1981, as "National Recognition Day for Veterans of the Vietnam era."

## ADDITIONAL STATEMENTS

## ANNIVERSARY OF GREEK INDEPENDENCE

● Mr. HUMPHREY. Mr. President, Wednesday, March 25, marks the 160th anniversary of the beginning of the battle for Greek independence. As a nation which successfully endeavored upon a similar struggle 45 years earlier, the United States feels a special kinship with the Greek people. This relationship has further benefited by the priceless Greek influence, both ancient and modern, on American society today, and

by the immense contributions made by immigrants from Greece over the last century.

The Greek people's passion for freedom has long been recognized as inherent in Greek character. In 1953, after Greece had defeated the Communist rebel threat of the post-World War II period, President Dwight D. Eisenhower said:

Greece asked no favor except the opportunity to stand for those rights in which it believed, and it gave to the world an example of battle . . . a battle that thrilled the hearts of all free men and free women everywhere.

But the Greeks are noted for their more aesthetic virtues as well. This is especially true of the era of the ancient Greek empire, whose influence can still be seen today in art, sculpture, architecture, and literature.

Immigration from Greece to America began on a large scale around 1890. Since then, between 500,000 and 1 million Greeks have come to this country, and in that time have made responsible contributions to every aspect of American culture.

America can thank the people of Greece for providing an excellent example to the world of nationalism and pride, and for their unending contributions as citizens of this country. ●

## A DEMOCRATIC ENERGY BUDGET

● Mr. HART. Mr. President, our Nation has few priorities higher than reestablishing our energy independence. Our continued addiction to foreign oil gets at the very heart of our identity as an independent people. It threatens both our national and our economic security. Although many Americans might like to forget the energy crisis, wearing blinders will not make the problem disappear. Forty percent of the oil this country uses each year comes from foreign sources. Over the past 10 years, OPEC has raised oil prices fifteenfold. This has helped bring about double-digit inflation. Last year alone it drained \$85 billion in capital we could have otherwise directed to our productive base.

As much as OPEC prices have limited our control of our own economy, the limits in our freedom of action from a sudden cutoff of our supplies of foreign oil would be worse. For example, a year-long blockade of the Strait of Hormuz—the mouth of the Persian Gulf: Would add 13 percent to the inflation rate; Would decrease the GNP by 8.3 percent; and Would cut business investment by 20 percent.

Finally, pressure to keep oil flowing could drag us into a fruitless war in the Middle East—against what otherwise might be in our best interest.

The Congress, under the three previous administrations—one Democratic, two Republican—forged an energy policy that promoted a variety of alternative energy sources both to secure energy independence and, in the interim, to reduce U.S. vulnerability to disruptions in the supply of foreign oil.

Now, as a substitute for these policies,

the Reagan administration has proposed an energy budget that reduces or eliminates programs that have contributed to reducing U.S. consumption of foreign oil, while maintaining or increasing programs to develop technologies that probably will not reduce foreign oil consumption in the near term, and will have only a speculative chance of reducing foreign oil consumption in the long term. This approach promotes continued energy insecurity rather than energy security.

Before we establish the distinction between the Reagan policy and an effective energy policy, let us examine the Reagan proposal for clues to that distinction. The proposed energy budget would reduce the total amount of funds available for both energy supply R. & D. activities and conservation by about 15 percent in fiscal year 1981 and by 41 percent in fiscal year 1982.

This overall reduction, however, is not distributed equitably among the various program functions. For example, the proposed budget would cut funds for solar programs by 35 percent in fiscal year 1981 and 78 percent in fiscal year 1982. It would cut funds for conservation programs by 35 percent in fiscal year 1981 and 78 percent in fiscal year 1982. It would cut funds for fossil energy programs by 27 percent in fiscal year 1981 and by 73 percent in fiscal year 1982. And, finally, it would eliminate entirely the Solar Energy and Conservation Bank, which received a \$1 billion authorization under the Energy Security Act in 1980, but would spend out only \$10 million in fiscal year 1981 and \$96 million in fiscal year 1982.

While all these energy research and development programs have fallen victim to the budget-cutting hatchet, one energy program has been spared and even fattened: the nuclear energy research and development program. The administration's proposed budget would increase the funding for that program by 2.5 percent in fiscal year 1981 and by 18.2 percent in fiscal year 1982—an increase of \$300 million over the \$1.3 billion requested by the Carter administration. This proposal includes \$100 million in fiscal year 1981 and \$220 million in fiscal year 1982 for the Clinch River breeder reactor, a project that will cost at least \$3 billion to complete.

The Reagan administration's limited energy policy, with its excessive bias toward nuclear energy research and development, has several serious flaws.

First, it gambles enormous amounts of tax dollars for research and development on extravagant technologies that may never displace one drop of foreign oil and may never become economically viable. Breeder reactors, for example, probably will not become economically viable before the year 2020, if at all, according to many experts. Their commercial appeal will depend on such interrelated factors as the price of uranium, the costs of reprocessing spent fuel from light water reactors, the demand for additional electrical generating capacity, and the extent to which utilities will buy light water reactors to fill that demand. The depressed state of uranium prices, the decreasing demand for additional

electrical generating capacity and light water reactors, and the projected increases in the cost of spent fuel all indicate that the date for economic viability of breeder reactors could recede further in the future.

Given the remote possibility that breeder reactors will have commercial appeal within the next 40 years, continuation of the Clinch River breeder reactor is highly questionable. Moreover, the Clinch River breeder reactor design has been described by several experts as outdated. Indeed, the Department of Energy has developed a detailed conceptual design for a bigger, better breeder that it plans to build in Idaho. These facts lead to the inescapable conclusion that the Clinch River breeder reactor is nothing more than a CETA program for nuclear engineers.

David Stockman, Director of the Office of Management and Budget, presented the best arguments against the breeder technology generally and the Clinch River reactor in particular. As a Congressman, in 1977, he wrote a 14-page brief opposing the Clinch River project, which I include for the Record. In that brief, Mr. Stockman said—

I have come to the conclusion that it (CRBR) is totally incompatible with our free market approach to energy policy . . . The breeder cannot compete with existing technologies within the time frame contemplated by its advocates without massive subsidies.

The Reagan administration seeks to increase other nuclear R. & D. programs with the same zeal with which it hopes to throw tax dollars away on the Clinch River breeder reactor. Yet, increased development and use of nuclear power will not substantially contribute to U.S. energy independence.

There are several reasons why. First, nuclear power consumers—electric utilities—consumed less than 7 percent of all the oil used in the United States in 1980, and by the end of the decade will consume only a few percent of the oil used. Thus, utilities do not depend heavily on foreign oil.

Second, the annual increases in demand for electricity have become consistently less over the last few years and will continue to decrease. The annual increases in demand have declined from 7 percent in the early 1970's to less than 2 percent today.

Finally, increased use of coal-fired generation, rather than nuclear power, has predominantly contributed to the reduction of oil consumption by electric utilities. For example, between 1978 and 1980, nuclear power generation declined 9 percent. If nuclear power were a direct substitute for oil, oil consumption would have increased by at least 8 percent. Contrary to expectation, however, actual oil consumption by utilities declined, 25 percent, undoubtedly because utilities relied on other nonnuclear energy sources to supply the difference. Consequently, rather than displace foreign oil, nuclear power tends to compete with coal and natural gas as the fuel utilities use to generate electricity.

The Congress should recognize and correct this first flaw in the Reagan ad-

ministration's limited energy policy by supporting continued funding for programs that have demonstrated their ability to further reduce consumption of oil in the near term. For example, the DOE has estimated that its programs for solar energy and energy conservation replace about 102 million barrels per year of oil, or 20 days per year of imported oil, while its nuclear energy programs replace only 4 million barrels per year of oil, or less than 1 day per year of foreign oil. Another DOE study shows that, after accounting for higher energy prices to reduce consumption and energy tax credits to encourage use of alternative sources, DOE's conservation and solar programs could further reduce projected annual U.S. consumption of oil and natural gas by about 10 percent by the year 2000—20 to 30 years before the breeder reactor could possibly bear economic fruit.

By reducing the disproportionate increases in the proposed budget for nuclear energy R. & D. and transferring most of the funds to the more cost-effective solar and conservation programs and synthetic fuels, the Congress can place this country back on the road to energy independence.

A second flaw in the Reagan energy budget proposal is its Panglossian optimism that the free market will provide energy security without additional "encouragement" from the Federal Government.

The Reagan proposal leaves to the free market the development of those energy sources that can contribute the most to reducing consumption of foreign oil, while it subsidizes technologies that may never contribute to energy independence. If our need to reduce oil imports were not so urgent and if the free market operated perfectly, we could accept the notions that the free market can most efficiently allocate resources for energy development, and that the Federal Government should adopt a new policy of benign neglect toward the need to attain energy independence.

Unfortunately, neither is the case. For example, the free market does not account for unexpected interruptions in the supply of foreign oil. The true cost of oil includes both the actual market price of oil plus an additional amount that reflects the price of continued U.S. vulnerability to supply disruptions. The free market's inability to respond to this true "cost" requires the Federal Government to promote the use of alternatives to oil to free the Nation from its vulnerability.

In addition, the free market cannot operate properly without adequate information upon which businesses and individuals can make economically efficient choices of which alternative energy source, if any, to use. Yet, the Reagan limited energy policy would cut the very programs that provide information to enhance the operation of the free market: Energy extension services, State conservation programs, energy efficiency labeling for appliances, and voluntary building energy performance standards.

Finally, significant barriers prevent those energy sources whose funds the

Reagan proposal would cut drastically from competing on an equal footing with those sources, such as nuclear power, for which the Reagan proposal would increase funding levels. The numerous small firms that have attempted to enter the solar energy and energy conservation fields often do not enjoy sufficiently great economies of scale to permit them to pursue major research and development efforts or to market their products extensively.

By contrast, five large firms have virtually captured the market for manufacturing nuclear powerplants and, because of their size, can achieve sufficient economies of scale for their R. & D. or marketing activities. Thus, the Federal Government should become a partner in these activities to reduce the barriers that stand in the way of near-term commercialization of alternative energy technologies.

Securing energy independence is too essential for our national interest to leave it to the whims of an imperfect market. Thus, the Congress should support these programs which will achieve, over the shortest period of time, the greatest marginal decrease in foreign oil consumption for each tax dollar spent. The Reagan administration has the burden of proving that its allocation of funds within the energy budget will produce that result.

The third flaw in the administration's proposed energy budget is its emphasis on "high-technology" alternative energy sources that necessarily concentrate control in a few corporate hands. The Congress should take just the opposite approach and support those alternative energy sources—to the extent they prove cost efficient—which give individuals greater control over their own energy security and encourage self-reliance.

Finally, perhaps the most serious flaw of the Reagan proposal is its blatant inconsistency in its "free market" approach. On the one hand, it cites free market theories to justify reducing programs that promote nonnuclear energy sources while, on the other hand, it funds an extensive subsidy program for nuclear energy research and development. The "double standard" for justifying the allocation of funds within the energy budget just does not make sense.

Secretary of Energy Edwards repeatedly has argued that the Federal Government must increase its programs to promote nuclear energy and, in particular, build the Clinch River breeder reactor, to help the nuclear industry get on its feet again. We should ask, however, why an industry that has existed for over 25 years and has received billions of dollars in Federal subsidies should require an additional Federal umbilical cord to assure its survival?

The Congress should remind the Reagan administration that it cannot have it both ways. We cannot subsidize the nuclear industry at the same time that funding for other, potentially more cost-efficient energy technologies on the verge of full commercialization is drastically reduced. If the Reagan administration wishes to apply the free market philoso-



phy to energy policy, it should apply that philosophy consistently.

From this analysis of the Reagan administration's nonenergy policy, several general criteria emerge that could guide the Congress in substituting for it an energy program that defines a proper role for the Federal Government and that can achieve energy independence in the near term. This program should rely on the free market, to the greatest extent possible, to allocate available resources for promoting alternative energy technologies. At the same time, however, the Federal Government should play a seven-part role.

First, it should widely disseminate information about all alternative energy technologies to enhance the efficiency of the free market.

Second, it should pursue R. & D. activities for those alternative energy technologies which could most efficiently replace foreign oil in the near term but are too expensive for the private sector to develop at the current time. Conversely, it should not support R. & D. activities for alternative energy technologies that have only a speculative chance of commercialization and of efficiently displacing consumption of foreign oil.

Third, it should encourage faster decreases in the consumption of foreign oil that the natural operation of the free market would otherwise achieve. These steps preferably should take the form of incentives, such as tariffs on imported oil with revenues rebated through the tax system, rather than mandatory Government regulations.

Fourth, it should aid those people, particularly at lower income levels, who cannot readily adapt to increases in prices and changes in energy technology. This aid should take the form of low-income weatherization assistance of "retrofit vouchers" that enable the recipients to improve energy efficiency rather than as low-income energy assistance, which constitutes a recurring cost to the Federal Government but does not reduce overall energy consumption. This approach should be swiftly replaced with "lifeline utility rate" reform.

Fifth, it should assist State and local governments in implementing a national energy policy.

Sixth, it should provide for effective emergency planning during the period that the United States must necessarily depend on foreign oil.

Finally, it should maintain a vigorous antitrust program to guarantee against anticompetitive activities that reduce the efficiency of the free market or divert resources from needed energy production.

This Nation's continued dependence on foreign oil is a national problem that requires a national solution. We cannot blithely assume that the market will solve that problem for us. The Federal Government has a role to play in solving that problem—research and development—a role far more critical than merely pursuing expensive and speculative activities for energy technologies that may never reduce our energy dependence.

The Congress should carefully scrutinize the allocation of funds within the Reagan administration's energy budget. If it agrees that the programs supported under the budget will perpetuate rather than eliminate energy insecurity, then it has an obligation to reject and reallocate the funds to encourage the development of energy sources which can end our reliance on foreign oil. Anything less could seriously jeopardize the national interest.●

#### RURAL TRANSPORTATION CO-OPERATIVES: AN UPDATE

● Mr. BAUCUS. Mr. President, last fall the U.S. Department of Agriculture announced an innovative pilot project on rural and agricultural transportation. Designed to test whether rural transportation services can be improved by forming transportation cooperatives, this program has, I believe, a great potential for resolving some of the very serious transportation problems that have plagued agricultural producers for years.

In January of this year, I sponsored a series of meetings around the State of Montana with our Governor, Ted Schwinden, to explore the potential for rural transportation cooperatives in Montana. The response we received was extremely enthusiastic. As much as anything else, this enthusiastic response spoke to the seriousness of Montana's transportation problems.

Mr. President, as a result of these meetings the Montana Department of Agriculture has put together a preproposal for rural transportation cooperatives in Montana. The submission of the preproposal is the first step that States must take in developing a plan for submission to USDA.

I have reviewed Montana's preproposal. It is well developed, well conceived, and complete. It is also extremely informative. For the benefit of my colleagues, I ask that the proposal be printed in the RECORD.

The proposal follows:

STATE OF MONTANA,

Helena, Mont., March 13, 1981.

HON. JOHN R. BLOCK,  
Secretary, U.S. Department of Agriculture,  
Washington, D.C.

DEAR SECRETARY BLOCK: Pursuant to Secretary Bergland's letter dated January 14, 1981, on Rural Transportation Cooperatives, the following letter should be considered as a pre-proposal for each specific rural transportation cooperative that the State of Montana wishes to propose.

The pre-proposal covers a three-phase project which I have designated the Montana State Department of Agriculture as the State agency to be responsible for reviewing situations in the State and submitting pre-proposals for this demonstration project.

The Montana Department of Agriculture has the facility to match the federal funds given to this State through an arrangement of in-kind services.

The State of Montana is extremely interested in completing these proposals and being selected for an organizational and operational funding of the projects.

Due to the shortness of time, it has been necessary to be somewhat cursory in the analyses, however, it is anticipated that during the proposal stage the project feasibility will be completely developed.

Thank you for your consideration of the Agriculture and Rural Transportation Coop project.

Sincerely,

TED SCHWINDEN, Governor.

#### PREPROPOSAL FOR SUBMISSION TO REVIEW OF RURAL TRANSPORTATION ORGANIZATIONS; DEMONSTRATION PROGRAM

##### 1. The Purposes of this Program:

a. This demonstration project will establish rural transportation cooperatives to provide essential transportation services in two specific locations and generally statewide in the rural areas of Montana. The project will help maintain vital transportation services for agriculture and rural development.

b. The transportation cooperative demonstration projects will provide an alternative service in those areas where a loss of rail service has occurred or potentially will occur in the foreseeable future.

c. The demonstration projects will involve a large cross-section of the rural farm producer and elevator operators and will help mitigate and off-set rising costs and deterioration of transportation plant.

d. The transportation demonstration project will assist the rural producers in determining their own solutions to their transportation problems by allowing participation to alleviate and mitigate continuing transportation problems in the movement of their grain to market.

##### 2. Background:

Montana has been faced with some of the largest abandonments of rail system in the history of the United States. The abandonments of the Chicago, Milwaukee, St. Paul and Pacific lines west of Miles City, Montana, caused an adverse social-economic and environmental impact upon Montana. The principally affected commodities were coal, grain, potatoes, and timber within the state. Communities within Montana may experience primary and secondary job losses. Several communities whose existence and livelihood was dependent upon the railroads were particularly hard hit. Those included Harlowton, Roundup, Deer Lodge, and Lewistown.

The results of these abandonments have caused heavy increases in local motor carrier traffic in localized areas.

The Burlington Northern's market position in Montana, Idaho, and Washington was greatly strengthened by the abandonment and there was a corresponding decrease in price and service competition between the railroad and other transportation modes.

The fiscal resources of the state and local governments in Washington, Idaho, and Montana were strained by tax base erosion and efforts to mitigate adverse impacts associated with the withdrawal of the Milwaukee west of Miles City.

##### 5. Description of the Project:

The Montana Department of Agriculture is submitting this preproposal requesting that funding be forthcoming for evaluation of the feasibility of a pilot demonstration project for rural transportation service within Montana. The Montana Department of Agriculture has worked closely with and has concurrence of the Rail Planning Unit within the Montana Department of Highways with respect to this project.

The project is divided into three parts. The project is basically a shipper's cooperative with rail/truck transfer facilities located in Lewistown, Montana and around Plentywood, Montana and a support computerized back-haul system with incoming and outgoing data transmission.

The highway-rail facility to be located at Lewistown, Montana will serve a surrounding seven-county area and be comprised of a broad based group of farmers and grain handlers from Fergus County.

The highway-rail facility to be located around Plentywood, Montana will serve the

surrounding five-county area and be comprised of a broad based group of farmers and coop members within the area.

These rail transfer facilities will cost in the range of \$4-\$5 million dollars with the Lewistown facility at about \$2-\$2.5 million dollars and the Plentywood facility at \$2-\$3 million dollars. The Plentywood facility will be located on one of the longest branch lines in the state and in one of the most productive areas of the state. Its design may encompass utilization of both spring wheat, barley and durum wheat.

The rail transfer facility around the Plentywood area may involve utilization ultimately of a competitive rail system (Soo Line) in order to provide effective intramodal competition forces within north-eastern Montana.

This report will briefly analyze the markets available around each of the facilities. The following Table No. I indicates the wheat and barley produced in the five counties surrounding the Plentywood area.

TABLE I  
(In bushels)

	All wheat, 1979	Barley, 1979
Daniels.....	3,652,300	306,800
McCone.....	4,041,500	346,300
Richland.....	2,875,400	596,400
Roosevelt.....	6,235,000	461,300
Sheidan.....	6,403,200	381,500
Total.....	23,180,400	2,092,300
Total, all grain.....	25,272,700	

Note.—Table II shows the wheat and barley available in the 7-county area surrounding the Lewistown, Mont., site.

The Federal Railroad Administration (FRA) refused to allow the Milwaukee to abandon any Emergency Rail Services Act funding for the lines west of Miles City and therefore the Milwaukee determined that the lines, even though profitable, were non-essential to its core system.

The Burlington Northern (BN) on 12-1-80 instituted multi-car rates from all points in Montana on west-bound wheat. Of all the wheat in Montana approximately 90 percent moves west-bound and of that about 80 percent goes into export position. The distances which the wheat must travel are long and the terrain is not conducive to economical truck transportation.

Montana is basically faced with one railroad, the BN.

In middle January, the state was advised that the USDA, Office of Transportation therein, was proposing a transportation demonstration project based upon a transportation cooperative type structure. The idea revolved the premise that the shippers could form a cooperative or shipper association which would deal with and start to solve some of their overall transportation problems. The Montana Department of Agriculture, the Montana Department of Highways and Senator Baucus' office conducted a series of informative briefings around the state with USDA staff people. At each of these briefings a steering group was put together (Appendix A) which were charged with the duty of developing transportation coop ideas for submission and evaluation by the state. The Department of Agriculture had three follow-up meetings, two in Lewistown and one in the northeastern part of the state to put together the ideas and coalesce them into workable projects. The department has involved in excess of 201 people in this process and have sent numerous survey letters in an attempt to generate ideas. The department has utilized the resources of the State Department of Agriculture, State Department of Highways, the community development people, the various local planners,

the university, and trucking organizations in preparing this pre-proposal which the department chooses to submit.

#### 3. Contract Person:

a. Mr. Terry C. Whiteside, Manager, Marketing and Transportation, Montana Department of Agriculture, Capitol Station, Helena, Montana 59620; (406) 449-3124, will be the contact person for the U.S. Department of Agriculture. He may be consulted to communicate about the feasibility and planning studies, budget for the studies, etc.

#### 4. Certification of the State:

a. The State of Montana hereby certifies that it will meet the state matching requirements of the studies needed for completing the proposal if the pre-proposal is selected. The state also indicates that it may utilize in-kind service matches for completing the proposal.

TABLE II  
(In bushels)

	All wheat, 1979	Barley, 1979
Fergus.....	4,072,900	2,395,900
Garfield.....	1,186,300	226,500
Golden Valley.....	373,200	122,900
Judith Basin.....	2,035,500	1,408,300
Musselshell.....	349,200	125,700
Petroleum.....	83,900	108,100
Wheatland.....	466,200	289,400
Total.....	8,567,200	4,676,800
Total, all grain.....	13,244,000	

A map of the rail lines of Montana is provided in Appendix B. One should note that Lewistown, Montana is in central Montana and Plentywood, Montana is in the north-eastern corner of Montana.

The third part of this pre-proposal would include a feasibility analysis of a computerized back-haul system which would allow prospective shippers and motor carriers to have a focal point from which to contract back-hauls and forward-hauls to market. This will provide increased flexibility for shippers in Montana to be able to contract the various truckloads that need to be moved.

#### 6. Goals of the Proposed Cooperative:

The proposed cooperative project is centered around the concept that development of rail-highway transfer facilities will insure continued rail service to the areas and prevent abandonment of rail services in the future. The second goal of the transportation cooperative projects are to provide increased opportunities for efficient utilization of alternative modes.

#### 7. Funding Sources:

It is anticipated that during the feasibility development of the proposal that the final funding sources will be developed. It is anticipated also that applications will be made for Farm Home Administration loans or loan guarantees under the Community Facilities Program. It is uncertain at the time of this writing whether the Business and Industry Loan Guarantee Program will be available for funding a project of this nature due to Presidential cuts of the Farm Home Administration programs. It is proposed that the feasibility analysis of each part of the proposal will be subject to review and must be capable of profitable operation prior to application to the Farm Home or other loan guarantee programs. It is anticipated that the necessary legal authority for constructing, operating and maintaining the proposed facility or service will be obtained and provisions made for obtaining, giving, security for, and repaying the proposed loan. The applicant for the loan will be responsible for operating, maintaining, managing, and providing for its continued availability to the general public at reasonable rates. The State Department of

Agriculture will initially exercise the above-described responsibilities even though the facility may be ultimately operated, maintained, or managed by a third party.

Negotiations for obtaining continuous and adequate rights-of-way and interest in land needed for construction, operation, and maintenance of the facility have already begun.

The project will also consider alternative funding sources such as state rail bonding authority for facilities and equipment, together with community and county funding sources.

#### 8. Description of the Nature of the Surveys and Planning Efforts:

It is anticipated that the necessary planning efforts for determining the feasibility and acceptability of the proposed service will cover the following points:

1. Complete a market feasibility study.
2. Determine the cost for operation, maintenance, and construction.
3. Develop a time flow schedule for construction together with financing instruments.

#### 4. Conduct preliminary negotiations for land sites.

#### 5. Finalize the financing package and appropriate applications.

#### 6. Submission of final feasibility analysis to USDA and the lending institutions.

It is anticipated that during the conduct of these planning and survey efforts that the State Department of Agriculture will utilize in-house staff studies on the bulk loading facilities, some consultant work, and possibly some land-grant university personnel.

#### 9. Support by Lewistown City/County Planning Board:

Appendix C is a copy of a letter from Mr. John Hughes, Planning Director of the Lewistown City/County Planning Board which indicates that Lewistown has a local development corporation by the name of New Industries, Inc., a non-profit corporation which stands willing to assist in any development efforts undertaken in the Lewistown area. This group has met and adopted a resolution of support for the project which has been proposed and they are anxious to become involved. Appendix C also indicates some draft material from the Overall Economic Plan which includes development of a highway-rail transfer facility.

#### 10. Support by Fergus County CC & D Facilities, Inc.:

Appendix D is a copy of a letter from Timothy J. O'Hare, Esq. who represents the Fergus County CC & D Facilities, Inc.

This group indicates that they are willing to participate underneath this transportation coop demonstration project and locate a highway-rail transfer facility in Lewistown. Mr. Terry C. Whiteside has met with the Fergus CC & D Facilities, Inc. and has viewed their plans and some of their market feasibility studies. This group was formed in response to the transportation coop demonstration project idea. It is estimated that the facility which the proposal will study will be in the 2 to 2.5 million dollar range.

#### 11. Support by the Montana Department of Highways, Rail Planning Unit:

The Montana Department of Highways, Rail Planning Unit, under its manager, Mr. John D. Craig, has indicated his conviction for long-term support for the rail lines in and around the Lewistown area. The rail planning program in Montana is projecting to spend most of its current rail planning allocations for the current year on rail lines around the Lewistown, Montana area. The negotiations are currently continuing with the Burlington Northern Railroad for those rehabilitation projects.

#### 12. The State of Montana Requests Planning Grant:

The State of Montana respectfully requests that the task force provide a planning grant



for the pre-proposal in order to assist the State in development of a proposal for submission to USDA on transportation cooperatives. This planning grant will be used to develop analysis and the planning steps and to negotiate the budgets for analysis and planning of the proposed project. The state respectfully requests that it receive a planning grant of \$60,000, in federal funds for analysis and planning activities. The state plans to conduct the analyses and plans for this proposed project together with assistance from the Montana State University and/or some outside consultants. The state of Montana feels that due to the nature of the projects being spread over such a wide geographic area and the complexities of the planning processes that it will require the full \$60,000, to complete the proposals for submission to the task force for a selection of a demonstration project. The Montana Department of Agriculture feels that the projects are extremely worthwhile and will benefit a large number of rural users which have been adversely affected by rail abandonments within the state during the last two years.

W. GORDON MCOMBER,  
*Director, Montana Department of Agriculture.*

TERRY C. WHITESIDE,  
*Manager, Marketing & Transportation Unit, Montana Department of Agriculture.*

RAYMOND W. BRAULT,  
*Attorney, Montana Department of Agriculture.*

#### APPENDIX A

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The Honorable Hubert Abrams, Capitol Station, Helena, Mont. 59624.  
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Viggo Anderson, 1009 26th Ave. SW., Great Falls, Mont. 59404.  
Russ Andrews, Fairfield, Mont. 59436.  
The Honorable Tom Asay, Forsyth, Mont. 59327.  
Manson H. Bailey, Jr., Glasgow, Mont. 59230.  
Bob Baldwin, Evans Route, Stockett, Mont. 59480.  
Carla Baldwin, Richey, Mont. 59259.  
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John Beck, Poplar, Mont. 59255.  
Georgia Berreth, Vida, Mont. 59274.  
Gene Brandt, Nashua, Mont. 59248.  
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Terry Danielson, Scobey, Mont. 59263.  
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Knud Grosen, Big Sandy, Mont. 59520.  
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Linda Nelson, Medicine Lake, Mont. 59247.  
Ted Neuman, Vaughn, Mont. 59487.  
Mary Nielsen, Medicine Lake, Mont. 59247.  
Terry Nielsen, Reserve, Mont. 59258.  
Orvis Nelson, Homestead, Mont. 59242.  
Lynn Nordwick, Poplar, Mont. 59255.  
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 Manard Torgerson, Dagmar, Mont. 59219.  
 Marvin Torgerson, Dagmar, Mont. 59219.  
 Diane Tripp, Lolo, Mont. 59847.  
 Ramon Trover, Scobey, Mont. 59263.  
 The Honorable Larry Tviet, Fairview, Mont. 59221.  
 Ted Urban, Richland, Mont. 59260.  
 Stanley Urdahl, Homestead, Mont. 59242.  
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 Beulah Waller, Wolf Point, Mont. 59201.  
 Amariys Weinbeister, Nashua, Mont. 59248.  
 The Honorable Jack Whitaker, Cascade Co. Commissioner, Cascade Co. Courthouse Annex, Great Falls, Mont. 59401.  
 Norm Wicklund, 2716 Alamo, Great Falls, Mont. 59401.  
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 Dan Yardley, Box 482, Livingston, Mont. 59047.  
 Rover Young, Great Falls Area Chamber of Commerce, Box 2127, Great Falls, Mont. 59403.

APPENDIX C

LEWISTOWN,  
 CITY-COUNTY PLANNING BOARD,  
 Lewistown, Mont., March 9, 1981.

Mr. TERRY WHITESIDE,  
 Department of Agriculture, Transportation  
 Office, Office of the Governor, Helena,  
 Mont.

DEAR TERRY: This letter is in reference to your recent visit to Lewistown to discuss the possible location of a unit train loading facility in this area.

Please be advised that we are currently preparing an Overall Economic Development Plan for Fergus County which is 80 percent complete. One of the 12 projects identified as having the best potential for development within the area is to expand the rail facilities and locate a large grain terminal facility in the Lewistown area. Not only is it felt that the area has a lot of potential for a facility of this type, but the continuation of rail service is essential for the area's economy.

Also be advised that Lewistown has a Local Development Corporation by the name of New Industries Inc. This is a non-profit corporation that stands willing to assist in any development efforts undertaken in the Lewistown area. This group has adopted a Resolution of Support for the project and they are anxious to become involved. The President of New Industries Inc. is Donn Pennell and you can reach him in Lewistown at 538-3162.

I am enclosing copies of some of the draft material from the Overall Economic Development Plan. Hopefully this will be of some use to you in developing this project.

If I can be of any further assistance in this matter, please do not hesitate to call on me.

Sincerely,

JOHN HUGHES,  
 Planning Director.

ADOPTED BY THE O.E.D.P. COMMITTEE  
 JANUARY 20, 1981

Goals

1. Preserve and enhance existing county employment opportunity.
2. Increase per-capita income in the county.
3. Diversify, expand and stabilize the economic base of the county.

Assumptions

1. That agriculture will play an important role in the county economy.
2. That the county population, especially the city of Lewistown, will grow at or above projected rates.
3. That a diverse labor force will exist in the county.
4. That future economic development will not be at a cost of a loss of agricultural lands.
5. That providing the necessary infrastructure will lead to an increase of commercial, industrial, public service and other uses in the county.

POTENTIALS FOR DEVELOPMENT

- I. Agriculture:
  1. End product agricultural goods.
  2. Distribution and holding centers for agricultural products.
  3. Expand beef industry (feed lots/packing plants).
  4. Water use development.
- Projects:
  1. Unit Train Terminal.
  2. Judith River Flood Control/Irrigation System.
  3. East Judith Mt. Irrigation System.
  4. Barley Syrup Manufacture.
  5. Montana Ranch Beef.
  6. Packing Plant Expansion.

II. Commercial:

1. Expand convention facilities.
2. Downtown restoration and development.
3. Expand commercial area as necessary.

Projects:

1. Community Center/Convention Center.
2. Downtown Re-development.
3. Large Office Buildings Development.

III. Industrial:

1. Cottage Industries (piece work—retired population).
2. Centralized location in the state to attract government buildings and small industries.
3. Mineral and energy resource development.

4. Gasohol development.

Projects:

1. Gasohol.
2. Electronics Plant.
3. Textile Manufacturer/Stead.
4. Pipeline/Processing Plant.
5. Small Brewery.
6. Industrial Park.
7. Steel Detailing/Fabrication.
8. Floor tile/Brick panels.

IV. Transportation:

1. Expand rail facilities.
2. Centralized location in the state for a rail/trucking terminal for Central Montana.
3. Air transportation using industries/commercial activities.

Projects:

1. Assist in Locating a Flight Service in Lewistown.
2. Expand Air Transportation Lewistown—Great Falls.
3. Expand Rail Facilities in Lewistown for Unit Train Handling.
4. Winifred—Big Sandy Road.
5. Bus Transportation System for Lewistown.

V. Tourism:

1. Increase out of U.S. travelers (Old West Era).
2. Missouri River tours.
3. Hunting, fishing and skiing activities.
4. Dude ranches.

Projects:

1. Develop Tour Packages to Promote the Local Area.
2. Cross Country Ski Trails.
3. Down Hill Ski Area.

VI. Education:

1. Vocational/technical school.
  2. Expand College of Great Falls facilities.
- Projects:
1. Expand College Facilities.
  2. Vo-tech School.
  3. Upgrade High School Facilities.

APPENDIX C

CRITERIA AND RATING

1. How urgent is the need for the project, \_\_\_\_.
2. Does the project create long-term permanent jobs, \_\_\_\_.
3. Does the project benefit the unemployed, low-income and under-employed, \_\_\_\_.
4. Does the project prevent the loss of existing permanent jobs, \_\_\_\_.
5. Does the project serve the entire OEDP Area, \_\_\_\_.
6. Is there local financial and/or physical commitment, if needed, \_\_\_\_.
7. Is the project planned and designed, \_\_\_\_.
8. Does it have a good environmental impact, \_\_\_\_.
9. Would the project have overall community support, \_\_\_\_.
10. Does the project have potential for growth on its own merits once initiated, \_\_\_\_.

PROJECT LIST (FINAL) O.E.D.P. (IN PRIORITY)

1. Textile Plant.
2. Community Center/Convention Center.



3. Expand Rail Facilities/Grain Terminal.
4. Upgrade High School.
5. Barley Syrup Manufacture.
6. Upgrade and Expand Brick Plant.
7. Gasohol Plant.
8. Industrial Park.
9. Winifred/Big Sandy Road.
10. Judith River Flood Control Project.
11. Develop Tour Packages.
12. Expand College Facilities.

Adopted by the O.E.D.P. Committee on January 13, 1981.

#### OVERALL ECONOMIC DEVELOPMENT COMMITTEE

Name, address, affiliation, and phone:

Donn Pennell, Gilt Edge Stage, Owner/Manager Montana Bldg., 3162 (Off.)  
Jim DeMers, 708 Utica, Manager/Yogo Inn, 8721.

Joe Friend, 312 Quartzite, Pres./Midstate Bank, 7448.

Gary Willis, Bank Electric Bldg. (Bus. address), Customer Service/Montana Power Co., 5415.

Steve Reesor, 136 15th Ave. So., Owner/Owl Drug, 8749.

Tim O'Hare, 1028 W. Evelyn, Lawyer-partner/Parrish-Knopp-O'Hare, 7718.

Dave Byerly, 418½ W. Evelyn, Asst. Editor/News Argus, 3401.

Ken Byerly, 211 Flourite Dr., Editor/News Argus, 3401.

Fred Lark, P.O. Box 620 (Bus. Address), Owner/KXLO, 3441.

Stan Asbell, Heath Star Rt. (Bus. Address), Manager/U.S. Gypsum Co., 5438.

Bill Larson, 115 Uranium Dr., Senior VP/Northwestern Bank, 7771.

Ed Lamb, Montana Bldg. (Bus. address), VP/First Nat'l Bank, 7471.

Robert Phillips, Truck by Pass (Court-house—off.), Fergus Co. Commissioner, 5119.

Tom Evans, City Office (Bus. address), City Building Official/Lewiston, 8768.

Dennis Balyeat, 610 4th Ave. So., Planner/HRDC No. 6, 3882.

Don Pfau, 102 Hillcrest Dr., Owner/Don's Store, 9408.

#### APPENDIX D

PARRISH, KNOPP & O'HARE,  
Lewistown, Mont., March 9, 1981.

Mr. TERRY WHITESIDE  
Department of Agriculture, Transportation  
Office, Office of the Governor, Capitol  
Station, Helena, Mont.

DEAR MR. WHITESIDE: Our firm represents a broad based group of farmers and grain handlers from Fergus County and the surrounding six (6) counties who are working on plans for a Unit Grain Terminal Facility with the capability of rapid loading 52 car unit trains. In this regard we have contacted all the local grain elevator operators seeking their assistance in this co-operative effort. Additionally we have contacted New Industries, Inc. of Lewistown, Montana seeking their support as well. New Industries is the economic development corporation for Lewistown, Montana.

Our corporation Fergus County CC & D Facilities Inc. requests that you submit a pre-application for any available FHA funding through the Montana Department of Agriculture on our behalf.

As you are aware the Milwaukee Railroad has terminated railroad services to the Central Montana-Lewistown area and there is a strong possibility that the Burlington Northern may also abandon rail service to this area unless we can assure Burlington Northern continued profitability from the branch line servicing central Montana and Lewistown.

Our studies indicate that if both lines are abandoned that:

(1) Marketing grain from our seven (7) county area will become non-competitive and monopolized and work an economic hardship on area farmers, grain producers, and independent elevator operators. In particular all local elevator grain operations will be destroyed.

(2) Cause business and economic hardship to Lewistown businesses dependent upon rail service and the stability and profitability of the farm and grain production from our area.

(3) Cause increased use of the highways and increased truck transportation and fuel costs to the economic detriment of our farmers and grain handlers.

By establishment of a contemporary grain loading terminal in Lewistown, capable of handling 52 unit car trains we hope to maintain the competitive marketing position for our local grain trade, and prevent abandonment of rail services to central Montana and Lewistown. This is our goal.

In order to reach our goal by step by step objectives we are committed to the following:

- (1) Conduct market feasibility study.
- (2) Determine costs involved.
- (3) Develop projected budget.
- (4) Identify locations suitable for construction of facility.
- (5) Explore financing alternatives and obtain financing for project.
- (6) Obtain options and/or purchase site.
- (7) Prepare and distribute bid proposals for final architect plans.
- (8) Let bids.
- (9) Begin construction.
- (10) Open and operate facility.

At this time we have completed our market feasibility study and have made the decision to proceed with the project. We also are receiving architectural preliminary drawings from several sources.

In closing I would advise you that we will cooperate fully in preparing or assisting your office with a pre-application for FHA funding.

Sincerely,

TIMOTHY J. O'HARE,  
Attorney for Fergus County  
CC & D Facilities, Inc. ●

#### MONTANA SEVERANCE TAX—A SUPREME COURT DEFENSE

● Mr. BAUCUS. Mr. President, I am deeply concerned by proposals that advocate Federal intrusion in State taxation decisions. Recently, in response to a legal attack on the Montana coal severance tax by a group of utilities, I submitted an amicus brief to the U.S. Supreme Court. That brief argues that State resource taxation decisions are matters for State legislatures to decide—not the Federal courts.

In addition, as I have indicated before, Congress must not venture into this quagmire. State taxation is a complex area. Once Congress embarks on control of State taxes, no State will be immune from scrutiny.

We must take seriously the position of the electorate this past fall, when it was clearly announced that the Federal Government should reduce its inappropriate intrusion in areas of traditional State and local jurisdiction.

Mr. President, I was pleased to have the support of Senators ANDREWS, BURDICK, DECONCINI, MELCHER, and Representatives HANK BROWN, DORGAN, KOGOVSEK, LOWRY, MARLENEE, SANTINI, SWIFT, PAT WILLIAMS, and WIRTH on the amicus brief. I ask that the brief be printed in the RECORD.

The brief follows:

[In the Supreme Court of the United States  
October Term, 1980]

COMMONWEALTH EDISON COMPANY, ET AL.,  
APPELLANTS, v. STATE OF MONTANA, ET AL.,  
APPELLEES

On Appeal from the Supreme Court of the  
State of Montana.

Brief as amici curiae of the Honorable Max Baucus, the Honorable Mark N. Andrews, the Honorable Quentin N. Burdick, the Honorable Dennis DeConcini, the Honorable John Melcher, the Honorable Hank Brown, the Honorable Byron L. Dorgan, the Honorable Ray Kogovsek, the Honorable Michael E. Lowry, the Honorable Ron Marlenee, the Honorable Jim Santini, the Honorable Allen Byron Swift, the Honorable Pat Williams, the Honorable Timothy E. Wirth in support of appellees.

This brief amicus curiae is filed with the written consent of counsel for the parties by several Members of Congress:

#### INTEREST OF THE AMICI CURIAE

The amici believe that the outcome of this case challenging the power of a State to impose severance taxes on natural resources within its borders could have a substantial impact on the ability of the States to raise taxes to provide for the general welfare of the citizens of those States. Amici are concerned that a decision in favor of the appellants would set a dangerous precedent for use of the national Commerce Clause power to interfere in the areas of traditional State governmental functions. This brief also serves to inform the Court that Congress is not united in its approach to the issues involved in this case.

#### SUMMARY OF ARGUMENT

The rate of taxation imposed on an intrastate or local activity, such as the mining of coal, is normally a matter for the State legislature to consider. State sovereignty requires that the states have considerable autonomy in determining which intrastate activities are subject to taxation and at what rates. The factors which go into such a determination are political factors which are appropriately considered by the state legislature, not the federal courts. If the federal courts were to attempt to determine whether the Montana severance tax on strip mined coal is appropriate or fair, not only would they have to make such a determination without any guidelines other than political ones, but also they would be faced with the very real possibility that every state tax would be subject to the same standardless review by the federal courts. Such a result is always to be avoided, and particularly in this case because not only does the Montana tax have a minimal impact on interstate commerce, but also the right to tax has been recognized by Congress.

#### ARGUMENT

I. The State legislature is the appropriate governmental body to determine whether a tax on an intrastate or local activity should be imposed, and at what rate.

Appellants do not challenge the right of Montana to tax the severance of coal by strip mining; they challenge only the rate of taxation. Appellants ask this Court to make a uniquely political judgment: what is an appropriate or fair rate of taxation to be imposed on the severance of coal by strip mining. If this Court were to hold that a 30% tax on the severance of coal by means of strip mining is too high, and the Montana legislature were to enact another tax at a rate of 25% or 20% or 15%, this Court would then have to determine the fairness of those rates. These are not judicial issues; they are political questions for the state legislature. If the federal courts usurped this power, the burden on the courts to make such determinations would prove to be extraordinary, for in modern times virtually every state tax "affects" interstate commerce.

A. The decisions of this Court reflect policy reasons for upholding the constitutionality of state severance taxes regardless of the rates.

This Court has never held that a state severance tax burdened interstate commerce even when a large percentage of the severed resources subsequently entered interstate

commerce. *Heisler v. Thomas Colliery Co.*, 260 U.S. 245 (1922); *Oliver Iron Mining Co. v. Lord*, 262 U.S. 122 (1932); and *Hope Gas Co. v. Hall* 274 U.S. 284 (1927), answer most of the arguments raised by appellants. *Heisler* involved a severance tax on anthracite coal. It was alleged that Pennsylvania had a natural monopoly on anthracite coal in the United States; that coal was a prime necessity for life, especially in the northeastern states; that 80 percent of the coal was shipped outside of Pennsylvania; and that Pennsylvania would be able to force consumers in other states to pay the tax. The Court turned aside the challenge to the tax because the incidence of the tax was prior to the entry of the coal into interstate commerce. A contrary decision would have left the states with nothing to regulate or to tax. See 260 U.S. at 259-260.

No subsequent decisions of this Court have imposed limits on the ability of states to tax local activities or activities merely because the activities "affect" or the activities eventually enter interstate commerce. Indeed, recent Commerce Clause cases have made clear that a state may tax various aspects even of interstate commerce. See, e.g., *Complete Auto Transit v. Brady*, 430 U.S. 274 (1977); *Michelin Tire Corp. v. Wages*, 423 U.S. 278 (1975); *Department of Revenue v. Association of Washington Stevedoring Companies*, 435 U.S. 734 (1978).

The policy of leaving to the state legislature the decision whether to tax intrastate activities and the rate of such taxation remains a sound one. One of the essential attributes of state sovereignty is the power to raise funds by taxation; this power is essential to the very existence of a state. Almost every local activity has some effect on interstate commerce. If the federal judiciary should bar a tax on a local activity, before it enters the stream of commerce, because it "affects" interstate commerce, then the state's power to tax would be a virtual nullity. Every state tax would be subject to challenge in the federal courts, and the federal courts would become a super-state legislature.

B. The standards for determination of what taxes should be imposed on local activities are political questions for the state legislature and are beyond the institutional competence of the federal judiciary.

When a legislature, whether the Congress of the United States or a state legislature, imposes a tax and determines the rate of that tax, the factors that it considers are political factors. A state legislature decides what tax is fair based on the entire complex of state taxes, upon the ability of the taxpayer to pay, upon a determination as to whether the tax is progressive or regressive, upon how much money the tax will raise, upon constituent interests, upon the impact of the tax on the business community in the state, upon a value judgment as to what activities it wishes to encourage or discourage by taxation, upon an economic judgment as to whether the effect of the tax will be productive, and upon a host of other political issues.

These determinations are made after informal private consultations and legislative hearings in which witnesses may offer facts, statistics, and opinions as to what the effect of a proposed tax will be. Gradually an imprecise consensus is formed, and a political decision is reached about whether or not the tax should be imposed and the appropriate level of the tax. This is a decision uniquely appropriate to the state legislative process and one for which the federal judiciary is not competent because it is not responsive politically and cannot consider under evidentiary rules all the factors that a state legislature can. Only in the most extraordinary situation, such as a tax imposed on citizens because of their race, in which there is clear Constitutional viola-

tion, should the federal judiciary concern itself with a state tax imposed on intrastate activities.

Since almost every type of severance tax which a state can levy can affect some aspect of interstate commerce, every kind of state severance tax could be subjected to a complicated factual analysis as to its impact. Numerous states have severance taxes on a wide variety of resources. Some of those states collect revenues which far exceed the total amount obtained under the Montana coal severance tax. For example, in 1977 the State of Texas collected over \$900 million in severance tax revenues—over 20 times the revenues generated by the Montana coal tax that year.<sup>1</sup>

Beyond that, other states rely far more heavily on royalties and severance taxes than does Montana.

#### 1977—Royalties and severance taxes as a percentage of State government revenues

Rank, State:	Percent
1. Louisiana	19.43
2. New Mexico	15.78
3. Texas	13.85
4. Wyoming	11.42
5. Oklahoma	9.18
6. Montana	6.82
7. Alaska	4.46
8. Kentucky <sup>2</sup>	3.79

These taxes are on some occasions applied as a percentage of the gross value of the resource, a flat amount per barrel or thousand cubic feet, a percentage of the sales price, and so on. The taxes are, in short, difficult to compare and are the subject of considerable political judgment.

Other types of taxes are equally complicated and could be subject to challenge. States with high levels of tourism and with relatively high hotel, restaurant, entertainment, or gambling taxes arguably force non-residents to contribute more to state revenues than the benefits which they receive. Examination of inheritance taxes on local real estate or nonresidents might indicate that a state is asking more of these taxpayers than it asks of others. Income, gross receipts, and the sales taxes might be subject to challenges based on the Commerce Clause. Who is to say when a tax that goes to support the general revenues of the state is out of all proportion to the benefits provided? What standard measures the benefits a taxpayer receives from a state?

Opening state tax rates and benefits received by taxpayers to judicial examination would also open the mix of state taxes to examination. If a state should decide to levy high property taxes and to forego a state income tax or vice versa, one group of taxpayers may be subjected to higher taxes than if both taxes were levied at lower rates. States with high cigarette or alcohol taxes may be imposing heavy taxes on certain consumers who gain no special benefit from the state other than the usual benefits of civilized society and local government.

A challenge to a single tax based on the aggregate revenues resulting from that tax would bring the entire state tax structure before the court. A tax which may seem unreasonable standing alone may be reasonable when the mosaic of all state considerations is examined. As this Court stated in *Carmichael v. Southern Coal and Coke Co.*:

"[A]s the state is free to distribute the burden of a tax without regard to the particular purpose for which it is to be used, there is no warrant in the Constitution for setting the tax aside because a court thinks that it could have drawn a better statute or could have distributed the burden more wisely. Those are functions reserved for the legislature. 301 U.S. 495, 525 (1937)."

This Court has been a strong defender of

the prerogative of a state to determine how to structure its taxes, e.g., *Moorman Manufacturing Co. v. Bair*, 437 U.S. 267 (1978), what to include in the tax base, e.g., *Mobil Oil Corp. v. Commissioner of Taxes of Vermont*, 455 U.S. 425 (1980), and what accounting method to require, e.g., *Ezzon Corp. v. Department of Revenue of Wisconsin*, 466 U.S. —, 100 S.Ct. 2109 (1980).

Similar deference should be accorded a state's right to select an appropriate tax rate for a severance tax. Judicial second-guessing of legislative tax decisions would open the courts to every disgruntled taxpayer who feels that a tax imposes an extraordinary burden on himself, and can demonstrate that the tax affects interstate commerce.

C. The effect of the Montana severance tax on coal is not adverse to the national interest and does not warrant the intervention of the federal judiciary.

The factual question which appellants seek to have resolved in the courts—whether the economic impact of the Montana tax is so unfair that it unduly burdens interstate businesses and requires these businesses to pay taxes which are disproportionate to the benefits received—illustrates the complexity of the factual issues which appellants would subject to judicial redetermination. Appellants assert that the 1975 tax is a 30% tax on the value of coal which on a percentage basis, increases by 500% to 1,250% the severance tax today compared to the severance tax that was in effect prior to 1975. (Brief for Appellants at 7-8). This analysis, suggesting astronomical increases in the ultimate price of coal, is faulty for two reasons. First, the tax rate differs depending upon how the coal is mined. The 30% tax is imposed only on strip mined coal, which constitutes the majority but not all of Montana coal. Second, as the following figures demonstrate, the amount of the tax when compared to the ultimate price of coal to the consumer, is far less than appellants imply. The tax is imposed as a percentage of the contract sales price before shipping, and the shipping costs constitute the largest share (typically 60%) of the cost to consumers.<sup>3</sup> Moreover, even with the tax, the price of Montana coal is still considerably lower than the price of coal mined in most other states. Recent estimates show Montana coal selling at \$8.50 per ton with Eastern and Midwestern coal selling at over \$20 per ton.<sup>4</sup>

Furthermore, a more accurate measure of the impact of an energy resource tax is the tax per BTU of heat produced. Coal, oil, and gas have value by virtue of their heating capability. By this measure, Montana's coal tax produces 9.97 cents revenue per million BTU's. This compares very favorably with other state severance taxes—taxes which appear on their face to be lower than the Montana tax. For example, Louisiana's 12.5% tax on oil is in fact a tax of 16.58 cents per million BTU's—over 60% higher than Montana's coal tax.<sup>5</sup>

We cite these figures not to support an argument on the merits that the Montana tax is reasonable. Rather, we wish to illustrate the complexities of the issue put forth by appellants as to the fairness of the tax and its effect on the ultimate taxpayer and on interstate commerce.

Additionally, there are obvious market restraints which prevent Montana from imposing a tax so high that it would make Montana coal unable to compete with coal mined in other states with alternative sources of energy. Montana has no monopoly on coal, and coal is not the only source of energy. If the tax were so high that it caused the mining of coal in Montana to decline significantly thereby decreasing employment and revenues, there would be substantial incentive for the Montana legislature to lower the tax.

Finally, there are legitimate reasons why Montana could choose to impose a heavier

Footnotes at end of article.



tax on strip mined coal than it imposes on other business activities and to set aside part of the proceeds of that tax in a trust fund for future generations. Strip mining may have severe adverse effects on the environment. The Montana State Legislature clearly recognized the severity of these impacts in adopting the coal severance tax (15-35-101 *et seq.*, MCA.) and the Montana Strip and Underground Mine Reclamation Act (82-4-201 *et seq.*, MCA). These environmental costs will be borne not only by the current generation of Montana citizens, who will share in the economic advantages and disadvantages that flow from an active coal industry, but also by future generations long after the economic advantages have diminished or ceased. Coal is a limited resource which, if mined today, will be unavailable to future generations. It is surely within the power of the Montana legislature to tax the depletion of this resource and to set aside a portion of the tax for future generations.

II. Congress has recognized the right of the states to impose severance taxes on coal and has not preempted such taxes.

The Commerce Clause grants the power to regulate interstate commerce to the Congress, not to the courts, and when Congress has acted, the role of the courts should be to enforce Congress' action. See *Pennsylvania v. Wheeling & Belmont Bridge Co.*, 59 U.S. (18 How.) 421, 430 (1856); *Prudential Insurance Co. v. Benjamin*, 328 U.S. 408 (1946). Congress expressly recognized the validity of state severance taxes in the Mineral Lands Leasing Act of 1920. 30 U.S.C. § 189 states:

"[N]othing in this Act shall be construed or held to affect the rights of the States or other local authority to exercise any rights which they may have, including the right to levy and collect taxes upon improvements, output of mine, or other rights, property, or assets of any lessee of the United States."

This Court interpreted this language to mean that Congress authorized the states to impose severance taxes upon lessees of Federal lands without regard to the interest of the United States in the lands or leases. *Mid-Northern Oil Co. v. Walker*, 268 U.S. 45 (1925). While *Mid-Northern Oil* dealt only with the propriety of state severance taxes on lessees of federal lands, it follows that such taxes on non-federal lands are also proper or else the 1920 Act would authorize a state tax that discriminates against federal lessees.

In enacting the Power Plant and Industrial Fuel Use Act in 1973, three years after the challenged Montana severance tax went into effect, Congress acknowledged that states have severance taxes on coal and other fuels and provided that such severance taxes should be taken into account when determining a state's need for certain impact assistance. See 42 U.S.C. § 8401(a) (2). This statute is an express congressional recognition of severance taxes and reflects a congressional determination that these taxes are compatible with the Commerce Clause.

Despite the clear authorization by statute since 1920 for the imposition of severance taxes, appellants urge that the rate of the Montana tax violates the legislative intent of the Mineral Leasing Act, because a broad federal policy in favor of the use of coal underlies other statutes that have no direct relevance to several taxes. In short, appellants urge this Court to ignore the clear language of the statute and interpret the statute by considering the legislative intent of other statutes. This approach turns on their head well-accepted principles of statutory construction. Moreover, even apart from the dispositive effect of the Congressional authorization to impose severance taxes, the statutes and "policies" cited by appellants offer no basis for concluding that Congress has preempted the Montana severance tax.

Indeed, Congressional amici supporting appellants make no preemption argument whatsoever in their brief.

Unless there is clear federal preemption—a direct conflict or congressional intent to override contrary state legislation—the judiciary is generally without power to interfere on Commerce Clause grounds with state taxation. In this case, there is no direct conflict between state and federal legislation. The conflict asserted is between federal energy policies promoting the use of coal and the rate of Montana's severance tax on strip mined coal. Without direct conflict, congressional intent to override the state legislation must be found. This intent may be shown in a number of ways, including the pervasiveness of federal regulation, the dominance of the federal interest because of a need for national uniformity, or the danger of conflict between federal and state legislation. *Rice v. Santa Fe Elevator Corp.*, 331 U.S. 218, 230-231 (1947); *Pennsylvania v. Nelson*, 350 U.S. 497, 502-505 (1956). However, "the exercise of federal supremacy is not lightly to be presumed." *New York State Dept. of Social Service v. Dublino*, 413 U.S. 405, 413 (1973), quoting *Schwartz v. Texas*, 344 U.S. 199, 202-203 (1952); see *Sears, Roebuck & Co. v. San Diego County District Council*, 436 U.S. 180 (1978); *Philadelphia v. New Jersey*, 437 U.S. 617 (1978); *Exxon Corp. v. Governor of Maryland*, 437 U.S. 117, 132 (1978); *Hisquierdo v. Hisquierdo*, 439 U.S. 572 (1979). The rule in *Rice v. Santa Fe Elevator Corp.* "provides assurance that 'the federal-state balance' will not be disturbed unintentionally by Congress or unnecessarily by the courts." *Jones v. Rath Packing Co.*, 430 U.S. 519, 525 (1977) (citation omitted).

Two factors beyond the express congressional authorization of severance taxes make appellants' preemption argument a particularly weak one.

First, although Congress has considered adopting legislation which would limit the rate of state coal severance taxes, e.g., H.R. 6625, H.R. 6654, H.R. 7163, and S. 2695 introduced in the 96th Congress, Congress has been sharply divided over the advisability of such legislation and has not adopted such a limitation. Neither the opponents nor the proponents of these bills argue that existing legislation or policies preempt Montana's severance tax rates. If the advisability of such legislation is hotly contested within the Congress, it cannot be said that there is a clear federal policy in favor of preemption until Congress adopts legislation specifically supporting such limitation.

Second, *Exxon Corp. v. Governor of Maryland*, 437 U.S. 117 (1978), instructs that a conflict between a general federal policy and a state statute, without a more specific expression of intent to affect a particular type of state statute, is insufficient to preempt the state statute.

"Appellants point out that the Robinson-Patman Act itself may be characterized as an exception to, or a qualification of, the more basic national policy favoring free competition, and argue that the Maryland statute 'undermine[s]' the competitive balance that Congress struck between the Robinson-Patman and Sherman Acts. This is merely another way of stating that the Maryland statute will have an anticompetitive effect. In this sense, there is a conflict between the statute and the central policy of the Sherman Act. . . . Nevertheless, this sort of conflict cannot itself constitute a sufficient reason for invalidating the Maryland statute. . . . We are, therefore, satisfied that neither the broad implications of the Sherman Act nor the Robinson-Patman Act can fairly be construed as a congressional decision to preempt the power of the Maryland Legislature to enact this law. 437 U.S. at 133 (citations and footnotes omitted)."

Refusal to find preemption of state legislation on the basis of general federal policies arguably reflected in a few federal

statutes is additional insurance that the preemption does not occur "unintentionally by Congress or unnecessarily by the courts." *Jones v. Rath Packing Co.*, *supra*, 430 U.S. at 525. Because of the lack of congressional agreement on whether state severance tax rates should be limited, and because it cannot be said that the Montana severance tax on coal stands as an obstacle to accomplishment of the objectives of Congress, *De Canas v. Bica*, 424 U.S. 351 (1976), or that it frustrates the full effectiveness of a federal law, *Perez v. Campbell*, 402 U.S. 637, 652 (1971), no federal legislation nor even a "federal policy" preempts the Montana coal severance tax.

III. The Standards Set Forth in *Complete Auto Transit v. Brady* Are Inapposite Here. But Montana's Coal Severance Tax Would Survive Scrutiny Under Those Standards.

This case is unique in that it raises the question not of whether the state may tax a particular activity, but at what rate the state may tax. There is no case law that even suggests standards for the federal courts to use in evaluating the rate of a state tax.

Appellants have urged this Court to apply the fourpart test set out in *Complete Auto Transit v. Brady*, 430 U.S. 274, 278 (1977). Even a cursory glance at the *Complete Auto* test demonstrates that it is a test to measure whether a state may tax an instrumentality of interstate commerce, not a test to measure the rate at which a state may tax a local activity which affects interstate commerce. The cases in which the test has been applied are all cases in which an instrumentality of interstate commerce has been taxed. See *Department of Revenue of the State of Washington v. Association of Washington Stevedoring Companies*, 435 U.S. 734 (1978) (tax on unloading of items that have moved in interstate commerce); *Complete Auto Transit, Inc. v. Brady*, *supra* (tax on transportation of automobiles in interstate commerce); cf. *Japan Line, Ltd. v. County of Los Angeles*, 441 U.S. 434 (1979) (tax on a shipping container). Indeed the first two parts of the four-part test—substantial nexus to the taxing state and fair apportionment—are obviously irrelevant to a tax on a local activity which occurs entirely within one state and could not be taxed by another state.\*

Forcing the *Complete Auto Transit* test into a role for which it was not designed, appellants argue that the Montana tax is inconsistent with the final two parts of the test, which prohibit discrimination against interstate commerce and which require that a tax on interstate commerce be fairly related to benefits received by the taxpayer. The argument is not persuasive.

A. The Montana severance tax does not discriminate against interstate commerce because it does not favor local markets over interstate markets.

Appellants argue that the tax discriminates against interstate commerce "because it would shift an extraordinary burden to other states". (Appellants' Brief at 33.) The cases cited do not support such an argument. Appellants concede that the Montana tax does not discriminate on its face, while citing *Nippert v. City of Richmond*, 327 U.S. 416 (1946), for the proposition that a tax which is not discriminatory on its face may discriminate in fact. In order to find discrimination, whether facial or factual, there must be a discrimination against interstate goods or taxpayers in favor of local goods or taxpayers or an attempt to benefit local commerce at the expense of interstate commerce. The first type of discrimination occurs in situations such as *Boston Stock Exchange v. State Tax Comm'n.*, 429 U.S. 318 (1977), where higher tax rates were imposed on out-of-state businesses than on local businesses, or *Nippert v. City of Richmond*, *supra*, where the facially neutral tax was found to im-

Footnotes at end of article.

pose a higher tax on out-of-state vendors than on local vendors. The second category of cases is illustrated by *Pike v. Bruce Church*, 397 U.S. 137 (1970), where an Arizona statute prohibited shipment of cantaloupes out-of-state unless they had been packed in a state-approved manner, or *Oklahoma v. Kansas Gas Co.*, 221 U.S. 229 (1911), where the state tried to prohibit the exportation of natural gas. In these last two situations the statute was designed to favor local industry at the expense of interstate commerce.

In this case there is no attempt to favor local industry over out-of-state industry nor is there an attempt to prevent local resources from being exported. This case involves a uniform tax on every ton of coal produced in Montana, whether produced by local or out-of-state taxpayers and whether bound for use in or out of Montana. Even if appellants could prove that every ton of coal produced in Montana were eventually exported, that alone would not prove discrimination. Appellants' argument resembles that rejected by the Court in *Ezxon Corp. v. Governor of Maryland*, 437 U.S. 117 (1978). In that case, *Ezxon* challenged a Maryland statute which prohibited producers and refiners of gasoline from operating retail service stations in the state. The effect of the act was to require producers and refiners to divest themselves of any retail outlets which they owned. The divestiture requirements affected only interstate companies, but this Court said that "this fact does not lead, either logically or as a practical matter, to a conclusion that the State is discriminating against interstate commerce at the retail level." *Id.* at 125.

The Court listed some of the factors which led to its conclusion that the Maryland statute did not discriminate against interstate commerce:

"In fact, the Act creates no barrier whatsoever against interstate independent dealers; it does not prohibit the flow of interstate goods, place added costs upon them, or distinguish between in-state and out-of-state companies in the retail market. The absence of any of these factors fully distinguishes this case from those in which a State has been found to have discriminated against interstate commerce. . . . The fact that the burden of a state regulation falls on some interstate companies does not, by itself, establish a claim of discrimination against interstate commerce." *Id.* at 126. (Citations and footnote omitted.)

Similarly, the Montana statute does not prohibit the flow of interstate goods, does not place added costs on interstate goods as such, and does not distinguish between in-state and out-of-state companies. In short, the tax does not discriminate against interstate commerce.

B. The Montana statute does not burden interstate commerce because Montana has provided services and benefits for which it is entitled to compensation.

Appellants allege that the Montana tax is not fairly related to the services provided by the state and seek an opportunity to prove that the tax bears no relationship to the legitimate needs of Montana. Appellants Brief at 29-30. Although this Court has not decided a case where the "fair relationship" test has been put in issue, more than once this Court has indicated that the fair relationship test would be satisfied by provision of services including "police and fire protection" and "the benefits of a trained workforce and the advantages of a civilized society." *Japan Line, Ltd. v. County of Los Angeles*, 441 U.S. 434, 445 (1979); *Department of Revenue v. Association of Washington Stevedoring Companies*, 435 U.S. 734, 764 (1978) (concurring opinion); *Ezxon Corp. v. Department of Revenue of Wisconsin*, 446 U.S. —, 100 S. Ct. 2109, 2122 (1980).

There is no basis for a court to consider other factors. Indeed, appellants have failed

completely to suggest how a court could identify, much less quantify, the benefits received by coal companies operating in Montana from the activities of the state's government. Moreover, except in the case of user fees, "a tax is not an assessment of benefits. . . . The only benefit to which the taxpayer is constitutionally entitled is that derived from his enjoyment of the privileges of living in an organized society, established and safeguarded by the devotion of taxes to public purposes." *Carmichael v. Southern Coal & Coke Co.*, 301 U.S. 495, 522 (1937). In this case there is no allegation that the taxes are not devoted to public purposes. Creation of a trust fund for future generations is a legitimate public purpose. Providing funds to ameliorate the local impact of strip mining, providing funds for education, providing funds for highway improvement, and using taxes for the general support of the government are also legitimate public purposes. See 15-35-108 MCA. Federal courts have no basis for substituting their judgments on these matters for those of the Montana legislature.

#### CONCLUSION

For the foregoing reasons and those set forth by the appellees, the judgment of the Montana Supreme Court should be affirmed.

Respectfully submitted,

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#### FOOTNOTES

<sup>1</sup> See testimony of Senator Dave Durenberger, Hearing Before the Committee on Energy and Natural Resources, United States Senate, 96th Cong., 2d Sess., August 6, 1980, Table 7, pp. 77-78.

<sup>2</sup> *Id.*, Table 8, p. 79.

<sup>3</sup> See testimony of Mr. William Christiansen, Hearings Before the Subcommittee on Energy and Power of the Committee on Interstate and Foreign Commerce, House of Representatives, 96th Cong., 2d Sess., March 21, 1980, Ex. XI, p. 81.

<sup>4</sup> See testimony of Hon. Ed Herschler, Governor, State of Wyoming, Hearing Before the Committee on Energy and Natural Resources, United States Senate, 96th Cong., 2d Sess., August 6, 1980, p. 229.

<sup>5</sup> See testimony of Senator John Melcher, Hearing Before the Committee on Energy and Natural Resources, United States Senate, 96th Cong., 2d Sess., August 6, 1980, Attachment 5, p. 138.

<sup>6</sup> It is ironic that appellants rely on these cases which, although largely irrelevant to a tax on a local activity, do generally represent a trend of expanding the power of the states to tax actual interstate commerce, since appellants seek to diminish the power of the states to tax local activities which merely affect interstate commerce.

<sup>7</sup> Counsel of record.

#### EXPLANATION OF BUDGET PROCESS

● Mr. BAUCUS. Mr. President, the U.S. budget and the process of creating this budget, is very complex. I am sure all of my colleagues are asked as frequently as am I for brief explanations of how this system works.

Recently, the Environmental Study Conference published a concise, clear summary that is so good that I want to make it easily available for constituents and others who are interested in the process. Accordingly, I ask that a copy of this paper be printed in the RECORD.

The material follows:

#### A GUIDE TO THE BUDGET PROCESS

(By Dave Lauter)

Think of the U.S. Treasury as a gigantic bank. Revenue flows in from three major sources: tax receipts, government operations (user fees, royalties, sales of timber on public lands, etc.) and sale of Treasury bonds.

An authorization law establishes what can be thought of as a checking account at that bank—a specific program account which can stay open for a specified number of years and be used under specified restrictions. Generally, authorizations provide ceilings for the total amount which the account can hold.

To take money out of the Treasury's general fund and put it into a specific program account requires budget authority, which is granted by appropriations acts.

The appropriations say, in effect, "This year, take this amount of money out of the Treasury and put it in the account for program X to be used according to the specifics in the authorizing law." The year referred to is a fiscal year, which begins on Oct. 1.

Some accounts do not get appropriations like that; they are entitlements.

The authorization law for an entitlement program sets a few criteria and then says, "Anyone who meets this description is entitled to the following sum from the Treasury."

Money to cover entitlement claims must be put into the program account or else the government defaults on its legal obligations. For that reason the entitlement programs often are classified among uncontrollable expenses, although the cost of an entitlement can be altered by amending the original authorization.

Another relatively uncontrollable expense is government obligations, contracts signed or orders placed or bills for services rendered which the government cannot refuse to pay without facing law suits.

Obligations may be entered into by an agency which has contract authority, a form of budget authority which allows them to sign a contract. Once the contract is signed, the Treasury must eventually put money into the agency's account to liquidate, or pay off, the obligation. Appropriations to liquidate existing contract authority do not get counted as new budget authority the way most appropriations do because the contract authority already has been counted once.

Another sort of account which deviates from the usual system is the trust fund. Some special taxes, mostly excise taxes, are credited by Treasury's accountants to specific funds. The money in the trust funds can be spent only for purposes set out in the authorization. If the amount coming in exceeds the amount spent, money in the trust fund piles up, and Treasury invests it. The interest gets credited to the trust fund. The Airport and Airways Trust Fund, financed by airline ticket taxes; the Highway Trust Fund, financed by federal excise taxes on gasoline and tires; and the hazardous waste and toxic spill "superfund," financed by taxes on chemical feedstocks, are prominent trust funds.

Other accounts, like the Land and Water Conservation Fund which pays for park acquisition, are called funds but are not trust funds. They get regular appropriations out of general revenues like any other program account and do not garner interest accrued on unspent money.

Not all the money in a program's account is spent in the year the money is appropriated. For many programs the appropriation may be spent-out over three or four years. The amount spent in any one year is that year's outlay.

When outlays for a given year match revenues from taxes and operations, the government has a balanced budget. When outlays exceed those two revenue streams, the government budget is in deficit, and the treasury must raise more revenue by selling more bonds. A budget with more revenue than outlays is in surplus.



Up until 1974, presidents occasionally impounded appropriated funds. That is, the president said, "Even though the money has been put into the program account, I have ordered that the money not be spent. Congress outlawed impoundments after former President Nixon took the practice to unforeseen heights. The 1974 Congressional Budget and Impoundment Control Act (Budget Act) also established the House and Senate Budget Committees and the Congressional Budget Office to help them.

Now if a president does not want to spend money which has been appropriated, he has two choices.

He can issue a deferral order which says that the money appropriated will not be spent this year but will be spent in the future. Deferrals go into effect unless either house passes a disapproval resolution.

If the president wants to stop spending on a program permanently, he must request a rescission (also spelled "rescission"), which only goes into effect if Congress within forty-five days passes a resolution of approval.

One of the jobs of the General Accounting Office is to keep watch to make sure that what the president calls a deferral is not really a rescission in disguise. If GAO decides a deferral really is a rescission, it notifies Congress.

To keep track of all this, the U.S. government has two budgets. Both are talked about in terms of budget authority and budget outlays, hence the acronyms BA and BO seen in all the budget tables.

One of the budgets is the President's budget, due each year by Jan. 15, which gives the executive branch's detailed requests for most agencies and departments of the government.

Some off-budget government activities do not show up in the president's budget. These include some activities of semi-autonomous agencies such as the Tennessee Valley Authority. TVA's power generation activities are supported by TVA's ratepayers.

The term "off-budget" also is used to describe government activities paid for in a variety of creative ways which do not require direct withdrawals from the Treasury.

The second budget is the congressional budget, a resolution in which Congress sets itself some guidelines to keep government spending in line. The congressional budget is a much less detailed document than the executive budget, but, unlike the president's budget request, it can directly control congressional spending decisions.

Congress writes its budget in at least two parts. By March 15, each committee submits to the Budget committees its expectations for spending within its jurisdiction.

For a month the Budget committees ponder those reports, hold hearings and, by April 15, produce a first budget resolution, which sets general guidelines for spending and revenues for the fiscal year that starts the next October 1.

The budget resolution divides total budget authority and outlays into 18 broad functions, ranging from interest on the national debt to national defense and income security.

To take effect, the resolution must pass both houses. It is subject to the normal legislative process, including rules for floor procedure, time agreement and House-Senate conferences. It does not have to be signed by the president.

The amounts provided for each function supposedly guide and constrain congressional committees and subcommittees as they write spending and entitlement bills. The resolution also says how much revenue the government should collect.

In the fall, the Budget committees write a second budget resolution. This resolution revises the springtime effort and, once passed by Congress, turns the revenue and outlay guidelines into binding limits.

After passage of the second budget resolution, any bill which would cause outlays

to rise above the ceiling or cause revenues to fall below the floor, can be killed in either house by a point of order unless a new budget resolution is passed.

What the president can do with a deferral order or a rescission request, the Budget committees can do with a reconciliation resolution. If the committees determine that spending is going to break the bounds set by the budget resolution, they write a reconciliation resolution and send it to the floor. Upon passage, by both houses, the resolution becomes a binding order to House and Senate committees to write new laws to cut spending in specific functions or to raise new revenues. The committees draft their responses to the reconciliation orders and forward them to the Budget committees which then put the changes together in one large package for the floor. Congress first enacted a reconciliation last fall.

The preceding, of course, describes how the budget process is meant to work. It doesn't always happen that way. Budgets lead a double life as financial statements and political documents, and conflicts between the two arise all the time. Deadlines and rules for congressional action on the budget are self-enforced, and Congress nearly always runs late and sometimes ignores the rules completely. ●

#### CONSULTANT REFORM AND DISCLOSURE ACT OF 1981

● Mr. BAUCUS. Mr. President, I am very pleased to cosponsor a bill, S. 719, introduced by the distinguished Senator from Arkansas, Mr. Pryor.

As one who has spent considerable time investigating abuses of Federal contracting and consulting procedures, I support Mr. Pryor's efforts to reform consulting practices. The Consultant Reform and Disclosure Act of 1981 will help solve many of the problems uncovered by congressional oversight subcommittees and the press during the last 2 years. I urge my colleagues to consider carefully each of its sections.

As chairman of the Subcommittee on Contracted and Delegated Authority in the 96th Congress, I reviewed consultant and contracting procedures at a dozen Federal agencies. My findings, unfortunately, were similar to those of Senator Pryor and former Congressman Harris—from beginning to end, current contracting law has been ignored, misinterpreted or violated. And, the result was always the same—increased costs for the Government and the taxpayers.

I especially support this legislation because of its low cost "sunshine" provisions. I have always believed sunlight is the best disinfectant. The Senate should be doing everything possible to improve Government services while lowering the cost to the taxpayer. This legislation serves that purpose.

Almost without exception, problems occur in government contracting when contracts are let, monitored and completed behind closed doors. All too often, those individuals best suited to monitor contract work, including professional peers, are excluded from the process. In addition, contractors doing poor or shoddy work bounce from agency to agency receiving Government contracts because there is no institutional memory for the quality of work performed. Finally, professional biases are often not

disclosed or uncovered until the product is in hand.

Mr. President, each of these problems costs us money. Former Senator Lee Metcalf began to address these problems as chairman of the Subcommittee on Reports, Accounting and Management. He issued, in August 1977, "A Survey of the Government's Purchase of Outside Services" that detailed the lack of information we then had about Government contracting. I urge this body to give this legislation its full consideration so we might begin working on solutions.

#### VIEWS ON THE BUDGET

● Mr. HART. Mr. President, on Thursday, March 19, the Senate Budget Committee voted unanimously on a set of budget reconciliation instructions. I supported the Senate Budget Committee reconciliation instructions because the Federal budget must be reduced by \$40-\$45 billion.

I opposed a number of the President's proposals—and the priorities which underlie them—because they undermine his own program of providing for increased productivity and a safety net for the needy, as well as our own energy security.

As we complete this first step in the process that will lead to a fiscal 1982 budget, we have made progress in our efforts to review Federal programs and reduce the Federal deficit. This reconciliation instruction continues a program of fiscal restraint that we began several years ago, one that will continue as we take up the first budget resolution next week.

Thus, those who have been making this effort welcome the administration's support in cutting the Federal deficit. And I fully expect the 1982 budget to achieve cuts about as deep as the ones the President has proposed. In many cases, I have supported the President's suggestions. Nonetheless, in important respects, both this process and the program it has produced are seriously deficient.

The President developed his proposals—proposals for radical changes in our Government—in only a few weeks. We on the Senate Budget Committee had less than 1 week to consider them.

It would be unfortunate if the results of this all-too-brief review were uncritically adopted in the first budget resolution. Even if the administration's proposals and the committee's decisions were perfect—and they are far from that—the crucial requirement of a program that cuts so substantially is bipartisan consensus.

Even in this brief time, the shortcomings of the President's program have already become apparent. While voting to approve the overall level of cuts endorsed by the administration, I would make those cuts quite differently in some important cases. The following three principles should be followed:

First, we should maintain public investment that contributes to economic growth, such as programs which foster technological research and the educated and well-trained work force that is crucial to increasing productivity. We must also maintain the public capital base—

railroads, highways, and waterways—that represent our Nation's infrastructure.

Repeatedly this past week, I supported inclusion of funds for this essential "supply-side" investment: Programs for economic development, for scientific research and for job training. Our Nation's economic strength comes as much from the innovation and skill of its people as from its machines and factories. This is essential investment in human capital.

Second, the President's program fails to achieve his goal of protecting the truly needy. This goal requires more than rhetoric and slogans about "safety nets." We should not cut programs on which the poor and the needy depend: Child nutrition; nutritional assistance for women, infants—and children; medical; and low-income energy assistance. Clearly the safety net has a few holes. By restoring funds for these and other programs—and choosing other cuts—we can fill those holes.

Third, we must increase our energy security. This means we must rely on conservation, renewable energy, and synthetic fuels as well as nuclear energy. I opposed cuts that weaken our energy security, such as elimination of the solar bank and weatherization programs, sale of the SPR, when we could fund them dollar for dollar from funding for such outworn technologies such as the Clinch River Breeder Reactor.

These three principles—"supply-side investment," a true "safety net," and energy security—summarize the shortcomings of the administration's proposed cuts. We can achieve a better program that is consistent with these principles, while still applying real restraint.

The most serious deficiency, however, is not in the choice of budget or tax cuts. Rather, it is the administration's narrow assumption that these measures alone will solve the problems of our economy. They will not.

We cannot solve the problem of inflation without a policy that fosters moderation in prices and wages. We cannot demand national sacrifice and investment until we take steps to make sure that all parts of the Nation and our society reap the economic rewards. And our economy will never be healthy and secure until we reestablish our own independent energy supplies.

These are formidable challenges, but we can meet them. And we will.●

#### ORDER FOR RECESS UNTIL 10 A.M. TOMORROW

Mr. BAKER. Mr. President, is there a time for the convening of the Senate on tomorrow?

The PRESIDING OFFICER. There is not.

Mr. BAKER. Mr. President, I ask unanimous consent that when the Senate completes its business today, it stand in recess until 10 o'clock tomorrow morning.

The PRESIDING OFFICER. Without objection, it is so ordered.

#### ORDER FOR RECOGNITION OF SENATOR MATTINGLY AND SENATOR PRESSLER TOMORROW

Mr. BAKER. Mr. President, I ask unanimous consent that after the recognition of the two leaders under the standing order tomorrow, the Senator from Georgia (Mr. MATTINGLY) and the Senator from South Dakota (Mr. PRESSLER) be recognized, each for not more than 15 minutes, in that order.

The PRESIDING OFFICER. Without objection, it is so ordered.

#### ORDER FOR ROUTINE MORNING BUSINESS TOMORROW

Mr. BAKER. Mr. President, I ask unanimous consent that following the time allocated to the two leaders under the standing order and the special orders provided for on tomorrow, there be a period for the transaction of routine morning business, not to exceed 20 minutes, and that Senators may be permitted to speak therein for not more than 5 minutes each, and in no event to extend beyond 11 a.m.

The PRESIDING OFFICER. Without objection, it is so ordered.

#### ORDER FOR CONSIDERATION TOMORROW OF SENATE CONCURRENT RESOLUTION 9

Mr. BAKER. Mr. President, I ask unanimous consent that at 11 a.m. tomorrow, the Senate proceed to the consideration of the budget resolution, Senate Concurrent Resolution 9.

The PRESIDING OFFICER. Is there objection? The Chair hears none, and it is so ordered.

Mr. BAKER. Mr. President, for the record, this has been cleared with the distinguished minority leader, as have the other requests I am making.

#### REMOVAL OF INJUNCTION OF SECRECY—TREATY WITH NEW ZEALAND ON DELIMITATION OF THE MARITIME BOUNDARY BETWEEN THE UNITED STATES OF AMERICA AND TOKELAU

Mr. BAKER. Mr. President, as in executive session, I ask unanimous consent that the injunction of secrecy be removed from the Treaty with New Zealand on the Delimitation of the Maritime Boundary between the United States of America and Tokelau (Treaty Document No. 97-5), transmitted to the Senate today by the President of the United States; and ask that the treaty be considered as having been read the first time, that it be referred, with accompanying papers, to the Committee on Foreign Relations and ordered to be printed, and that the President's message be printed in the RECORD.

The PRESIDING OFFICER. Without objection, it is so ordered.

The message of the President is as follows:

#### To the Senate of the United States:

I transmit herewith, for the advice and consent of the Senate to ratification, the Treaty between the United States of

America and New Zealand on the Delimitation of the Maritime Boundary between the United States of America and Tokelau. Also transmitted for the information of the Senate is the report of the Department of State with respect to the Treaty.

This Treaty is necessary to settle the overlapping claims of jurisdiction resulting from the establishment of a 200 nautical mile fishery conservation zone off the coasts of American Samoa in accordance with the Fishery Conservation and Management Act of 1976, and the establishment by the Government of New Zealand of a 200 nautical mile zone around Tokelau.

In this connection, the status of three Tokelauan islands has also been resolved and the sovereignty of the United States over Swains Island has been confirmed.

The Treaty satisfies the interest of the peoples of Tokelau and New Zealand that the Tokelauan claim to sovereignty over three of these islands, inhabited by natives of Tokelau and administered by New Zealand, will not be encumbered by a conflicting but inferior claim by the United States. The Treaty protects United States interests by confirming United States sovereignty over Swains Island, which had been claimed by Tokelau, and by securing a maritime boundary in accordance with equitable principles. It further serves United States foreign policy interests in the area by promoting friendly relations with New Zealand and with Tokelau.

I am transmitting for the information of the Senate a document from the Government of New Zealand vesting the Tokelauan signatories with authority to sign the Treaty on behalf of New Zealand and a separate exchange of letters between the United States and New Zealand, signed on December 2, 1980, setting forth the understanding of each side that New Zealand is willing to make arrangements for United States fishermen to have access to the Tokelauan 200 mile zone.

I recommend that the Senate give early consideration to the Treaty and give its advice and consent to ratification.

RONALD REAGAN

THE WHITE HOUSE, March 25, 1981.

#### RECESS UNTIL 10 A.M. TOMORROW

Mr. BAKER. Mr. President, if there be no further business to come before the Senate, I move, in accordance with the order previously entered, that the Senate stand in recess until 10 a.m. tomorrow.

The motion was agreed to; and at 4:56 p.m. the Senate recessed until tomorrow, Thursday, March 26, 1981, at 10 a.m.

#### NOMINATIONS

Executive nominations received by the Senate March 25, 1981:

##### DEPARTMENT OF STATE

Nicholas A. Vellotes, of California, a Foreign Service officer of the class of career minister, to be Assistant Secretary of State, vice Harold H. Saunders, resigned.